

Honolulu, Hawaii

MAR 20 2008

RE: H.B. No. 2415
H.D. 1
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Madam:

Your Committee on Economic Development and Taxation, to which was referred H.B. No. 2415, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO HIGH TECHNOLOGY,"

begs leave to report as follows:

The purpose of this measure is to clarify the awards procedures for federal small business innovation research grants (SBIR) or federal small business technology transfer program grants (STTR).

Testimony in support of this measure was received from the Department of Business, Economic Development, and Tourism (DBEDT); the High Technology Development Corporation (HTDC); and the Hawaii Aquaculture Association.

Subsequent to the decision-making of March 11, 2008, your Committee circulated a Proposed S.D. 1 on this measure, voted to reconsider the Committee's previous decision, and accepted additional testimony on the Proposed S.D. 1, which added language to:

- (1) Require HTDC to expend any funds remaining from the appropriation in Act 255, Session Laws of Hawaii 2006, for SBIR and STTR grants in 2008 and 2009; and
- (2) Repeal chapter 206M, Hawaii Revised Statutes, the High Technology Innovation Corporation (HTIC).



Testimony in support of the Proposed S.D. 1 was received from the Hawaii Aquaculture Association. The Department of Business, Economic Development, and Tourism and the High Technology Development Corporation submitted comments.

Your Committee finds that Act 255, Session Laws of Hawaii 2006, appropriated \$400,000 for fiscal year 2006-2007 for the HTDC to establish an international business and technology incubator program with Hawaii and China technology businesses.

According to information furnished to your Committee by DBEDT, changes to the technology incubator program resulted in HTDC entering into a contract with HTIC for a two-year project period. The DBEDT information further states that the balance of contract funds with HTIC is \$342,800, after expenditures of \$57,171, and \$29 that lapsed to the general fund. Based on this information, your Committee added the provision in the Proposed S.D. 1, which would require HTDC to expend any funds remaining from the appropriation in Act 255, Session Laws of Hawaii 2006, for SBIR and STTR grants in 2008 and 2009.

In testimony on the Proposed S.D. 1, however, HTDC noted that "funding from Act 255 which created the International Incubator Program lapsed on 6/30/07." The testimony subsequently stated that the "State accounting system reflects a remaining unobligated balance that lapsed from Act 255 as of June 30, 2007 was approximately \$29.00." Your Committee is somewhat confused by these statements from DBEDT and HTDC, for although they refer to some of the same amounts, it is unclear how, or if, the funds were expended.

HTDC testimony further noted that HTIC also currently manages contracts for HTDC that include a \$500,000 STEM grant from the National Governors' Association (NGA). Yet when questioned by your Committee, HTDC responded that HTIC has no staff and is served by volunteers. Your Committee finds it very troubling that appropriations approved in 2007 in Act 111 and Act 271 fund similar innovation education programs, and were developed through a "collaborative" process between the Administration and the Legislature. Yet the information on the NGA award is contained almost as an afterthought in testimony related to HTIC.

In summary, your Committee has directed the Director of DBEDT to respond to the many issues raised during the hearing on the



Proposed S.D. 1, and in particular an accounting of the \$400,000 appropriation in Act 255, Session Laws of Hawaii 2005, and a full accounting of the HTIC.

For the purpose of further discussion, your Committee has amended this measure by:

- (1) Deleting section 2, which would require HTDC to expend any funds remaining from the appropriation in Act 255, Session Laws of Hawaii 2006, for SBIR and STTR grants in 2008 and 2009;
- (2) Requiring that any contractual obligations entered into by the High Technology Innovation Corporation shall cease upon repeal of chapter 206M, Hawaii Revised Statutes, and any unexpended contractual funds shall lapse to the general fund; and
- (3) Appropriating \$200,000 for fiscal year 2008-2009 for small business innovation research grants or small business technology transfer program grants.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2415, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2415, H.D. 1, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development and Taxation,



CAROL FUKUNAGA, Chair



The Senate
 Twenty-Fourth Legislature
 State of Hawaii

Record of Votes
Committee on Economic Development and Taxation
EDT

Bill / Resolution No.:* <i>HB 2415 HD 1</i>	Committee Referral: <i>EDT, WAM</i>	Date: <i>3/18/08</i>		
<input checked="" type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312	<input type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310		
<input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
FUKUNAGA, Carol (C)	✓			
ESPERO, Will (VC)	✓			
ENGLISH, J. Kalani	✓			
IGE, David Y.	✓			
SLOM, Sam				✓
<i>Baker, Rosalyn</i>				✓
TOTAL	<i>4</i>			<i>2</i>
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
<i>Will Espero</i>				
Distribution:				
Original	Yellow	Pink	Goldenrod	
File with Committee Report	Clerk's Office	Drafting Agency	Committee File Copy	

*Only one measure per Record of Votes

The Senate
 Twenty-Fourth Legislature
 State of Hawaii

Record of Votes
Committee on Economic Development and Taxation
EDT

Bill / Resolution No.:* HB 2415 HD1	Committee Referral: EDT, WAM	Date: 3/19/08
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The committee is reconsidering its previous decision on this measure.
 If so, then the previous decision was to: _____

The Recommendation is:

Pass, unamended 2312 Pass, with amendments 2311 Hold 2310 Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
FUKUNAGA, Carol (C)	✓			
ESPERO, Will (VC)	✓			
BAKER, Rosalyn H.				✓
ENGLISH, J. Kalani	✓			
IGE, David Y.	✓			
SLOM, Sam				✓
TOTAL	4			2

Recommendation: Adopted Not Adopted

Chair's or Designee's Signature: 

Distribution: Original Yellow Pink Goldenrod
 File with Committee Report Clerk's Office Drafting Agency Committee File Copy

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