

STAND. COM. REP. NO.

3240

Honolulu, Hawaii

MAR 28 2008

RE: S.C.R. No. 212
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 S.C.R. No. 212 entitled:

"SENATE CONCURRENT RESOLUTION REQUESTING THE OFFICE OF THE AUDITOR TO PERFORM A MANAGEMENT AND FINANCIAL AUDIT OF THE HIGH TECHNOLOGY DEVELOPMENT CORPORATION, THE HAWAII STRATEGIC DEVELOPMENT CORPORATION, AND THE PROGRAMS AND ENTITIES UNDER THEIR RESPECTIVE PURVIEWS,"

begs leave to report as follows:

The purpose of this measure is to request the Office of the Auditor to perform a management and financial audit of the High Technology Development Corporation, the Hawaii Strategic Development Corporation, and the programs and entities under their respective purviews.

The High Technology Development Corporation and the Hawaii Strategic Development Corporation submitted comments.

Your Committee finds that pursuant to the hearings convened as a result of Senate Resolution No. 2, 2008, a number of questions have arisen regarding the actions by the Department of Business, Economic Development, and Tourism in pursuing initiatives that appear to benefit private parties rather than valid state interests. These, in turn, raised considerable concern over the Department's management, performance, and what appear to be inadequate internal controls.



Your Committee finds that, in some instances, the actions of the Department have further impacted the Department's attached agencies, including those named in this measure.

Your Committee has therefore expanded the scope of this measure, by:

- (1) Changing its title to:

"REQUESTING THE OFFICE OF THE AUDITOR TO PERFORM A MANAGEMENT, FINANCIAL, AND PROGRAM AUDIT OF THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM, INCLUDING THE HIGH TECHNOLOGY DEVELOPMENT CORPORATION, THE HAWAII STRATEGIC DEVELOPMENT CORPORATION, AND THE PROGRAMS AND ENTITIES UNDER THEIR RESPECTIVE PURVIEWS";

- (2) Adding an additional WHEREAS clause regarding the Legislature's purpose in establishing the High Technology Innovation Corporation;
- (3) Deleting the WHEREAS clause regarding the State Private Investment Fund;
- (4) Deleting the WHEREAS clause regarding the impact of the High Technology Development Corporation and the Hawaii Strategic Development Corporation;
- (5) Adding an additional WHEREAS clause regarding the recent actions by the Department of Business, Economic Development, and Tourism in pursuing initiatives rejected by the Legislature, which have raised considerable concern over the Department's management, performance, and what appear to be inadequate internal controls;
- (6) Adding an additional WHEREAS clause stating that the last financial audit of the Department of Business, Economic Development, and Tourism was in 2003;
- (7) Amending the BE IT RESOLVED clause to request the Auditor to conduct a management, financial, and program audit of the Department of Business, Economic Development, and Tourism, including strategic marketing and support, creative industries, general support for



economic development, and the High Technology Development Corporation, Hawaii Strategic Development Corporation and the programs and entities under their purviews; and

- (8) Adding the Director of Business, Economic Development, and Tourism to the list of those receiving a certified copy of the measure.

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 concurs with the intent and purpose of S.C.R. No. 212, as amended herein, and recommends that it be referred to the Committee on Ways and Means, in the form attached hereto as S.C.R. No. 212, S.D. 1.

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 Hawai'i

Record of Votes
Committee on Economic Development and Taxation
EDT

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|--|--|-------------------------|-----|----------|
| Bill / Resolution No.:* <i>SCR 212</i> | Committee Referral: <i>EDT, WAM</i> | Date: <i>3/27/08</i> | | |
| <input 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 checked="" 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) | ✓ | | | |
| BAKER, Rosalyn H. | ✓ | | | |
| ENGLISH, J. Kalani | | | | ✓ |
| IGE, David Y. | ✓ | | | |
| SLOM, Sam | ✓ | | | |
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| TOTAL | <i>5</i> | | | <i>1</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