



# GOV. MSG. NO. 1065

EXECUTIVE CHAMBERS  
HONOLULU

LINDA LINGLE  
GOVERNOR

July 11, 2007

The Honorable Colleen Hanabusa, President  
and Members of the Senate  
Twenty-Fourth State Legislature  
State Capitol, Room 409  
Honolulu, Hawaii 96813

Dear Madam President and Members of the Senate:

Re: House Bill No. 1083 HD2 SD2 CD1

On July 10, 2007, House Bill No. 1083, entitled "A Bill for an Act Relating to High Technology" became law without my signature, pursuant to Section 16 of Article III of the Constitution of the State of Hawaii.

The bill would appropriate \$5 million in general funds for firms that have already received federal funds through the Hawaii Technology Development Venture or the National Defense Center of Excellence for Research in Ocean Sciences.

This bill raises a number of concerns. First, it dedicates a significant portion of State taxpayer dollars (\$5 million) to a small number of private firms, most of which are for-profit ventures. An estimated thirteen companies would be eligible for the money. The bill does not establish any standards, criteria, or oversight procedures to ensure that the funds are used to achieve a clear public purpose. The bill also lacks specific results against which the effectiveness of this use of public funds will be measured.

Second, the organization that would select the firms who receive the funds is comprised of individuals who do not appear to have scientific or engineering background, nor are they individuals with extensive credentials in the fields of technology, engineering, and science. To entrust this group with decisions on the allocation of funds that should be based on merit and technical analysis is not appropriate.

Finally, it appears that the bill fails to meet the requirements of a grant in aid, in that it exempts from the statutory requirements in Chapter 42F, Hawaii Revised Statutes, the funding provided for in this bill, yet section 3 of this measure says that the funds shall be provided as a grant, pursuant to Chapter 42F. This internal inconsistency in the language will make it difficult for the Budget and Finance Department to comply with the language regarding the release of money in this bill.

The Honorable Colleen Hanabusa, President  
and Members of the Senate  
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For the foregoing reasons, I allowed House Bill No. 1083 to become law as Act 267,  
effective July 10, 2007, without my signature.

Sincerely,



LINDA LINGLE

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# A BILL FOR AN ACT

RELATING TO HIGH TECHNOLOGY.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The purpose of this Act is to build on the  
2 successes of Hawaii's science and technology industries and  
3 establish a research and development follow-on funding program  
4 for Hawaii-based small businesses that received federal funding  
5 through the Hawaii Technology Development Venture or the  
6 National Defense Center of Excellence for Research in Ocean  
7 Sciences.

8           SECTION 2. (a) Notwithstanding the requirements of  
9 chapter 42F, Hawaii Revised Statutes, there is established in  
10 the Hawaii strategic development corporation a research and  
11 development follow-on funding program for Hawaii-based small  
12 businesses that received federal funding through the Hawaii  
13 Technology Development Venture or the National Defense Center of  
14 Excellence for Research in Ocean Sciences.

15           The purpose of these awards shall be to:

16           (1) Provide accelerated economic development in the fields  
17           of science and engineering of defense-related dual-use  
18           technology by providing follow-on funding to



- 1           successful research and development projects for  
2           technology development, transition, and  
3           commercialization;
- 4           (2) Provide capital to sustain high-growth new venture  
5           company infrastructure development to assist the  
6           enterprise toward commercial success;
- 7           (3) Promote high-quality, high-income job opportunities  
8           for Hawaii's residents and graduates of Hawaii's  
9           educational institutions;
- 10          (4) Reverse the "brain drain" by allowing talented  
11          scientists and engineers to return home to living-wage  
12          jobs in Hawaii; and
- 13          (5) Keep the high technology companies in Hawaii by  
14          limiting the need to seek out-of-state venture  
15          capital, which dilutes local ownership.
- 16          (b) The Hawaii Technology Development Venture shall  
17          subcontract with selected companies and provide program  
18          oversight.
- 19          (c) To receive funding, a Hawaii-based company shall:
- 20          (1) Show satisfactory performance in any projects funded  
21          through the Hawaii Technology Development Venture or



- 1 the National Defense Center of Excellence for Research  
2 in Ocean Sciences;
- 3 (2) Submit proposals to the Hawaii Technology Development  
4 Venture for follow-on funding in accordance with the  
5 respective program requirements; provided that a  
6 substantial portion of the work under the award shall  
7 be performed in the state;
- 8 (3) Submit a budget based on parameters set forth by the  
9 Hawaii Technology Development Venture;
- 10 (4) Execute agreements in accordance with existing Hawaii  
11 Technology Development Venture or the National Defense  
12 Center of Excellence for Research in Ocean Sciences  
13 contracting requirements; and
- 14 (5) Submit reports of project progress in accordance with  
15 existing Hawaii Technology Development Venture  
16 requirements.
- 17 (e) The Hawaii Technology Development Venture shall submit  
18 reports to the corporation no later than twenty days prior to  
19 the regular session of 2008, and annually thereafter until all  
20 moneys have been expended, on the activities and expenditures of  
21 the follow-on funding program.



1 SECTION 3. There is appropriated out of the general  
2 revenues of the State of Hawaii the sum of \$5,000,000  
3 or so much thereof as may be necessary for fiscal year 2007-2008  
4 for a research and development follow-on funding program for  
5 Hawaii-based small businesses that received federal funding  
6 through the Hawaii Technology Development Venture or the  
7 National Defense Center of Excellence for Research in Ocean  
8 Sciences; provided that up to \$500,000 shall be expended for  
9 project oversight of program awardees. The funds shall be  
10 appropriated as a grant pursuant to chapter 42F, Hawaii Revised  
11 Statutes.

12 The sum appropriated shall be expended by the Hawaii  
13 strategic development corporation through a contract with the  
14 Pacific International Center for High Technology Research for  
15 the purposes of this Act.

16 SECTION 4. This Act shall take effect on July 1, 2007.

