

Honolulu, Hawaii

FEB 12 2007

RE: S.B. No. 1365  
S.D. 1

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fourth State Legislature  
Regular Session of 2007  
State of Hawaii

Madam:

Your Committee on Economic Development and Taxation, to which  
was referred S.B. No. 1365 entitled:

"A BILL FOR AN ACT RELATING TO THE INNOVATION ECONOMY,"

begs leave to report as follows:

The purpose of this measure is to expand economic  
diversification opportunities and promote innovation across the  
State's economy.

Specifically, this measure:

- (1) Establishes the Hawaii Innovation Investment Fund, a professionally managed fund of funds, and allows the Employees' Retirement System to invest up to \$100,000,000 in Hawaii venture capital;
- (2) Improves the State's ability to collect and assess data on new economic initiatives;
- (3) Supports the operations and programs of the Asia Pacific International Research Center in Kakaako through a ten-year lease guaranty by the High Technology Development Corporation for technology incubator and innovation center space located in the Center;
- (4) Establishes a local incubator facility for digital media infrastructure for film and TV productions and interactive game development;



- (5) Establishes a music and enterprise learning experience (MELE) program at Honolulu Community College, in conjunction with Belmont University in Nashville, Tennessee;
- (6) Enhances the ability of the University of Hawaii's (UH) Office of Technology Transfer and Economic Development to enter into a partnership with a private sector entity to increase commercialization of UH discoveries; and
- (7) Appropriates funds for the above purposes.

Testimony in support of this measure was received from the Governor; Department of Business, Economic Development, and Tourism; Hawaii Strategic Development Corporation; National Defense Center of Excellence for Research in Ocean Sciences; University of Hawai'i System and Community Colleges; Hawaii Venture Capital Association; Hawaii Science and Technology Council; Kamehameha Schools; KUD International; 3Point; PacifiCap Group; IMS, Inc.; and ten individuals. The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO expressed concerns. The Employees' Retirement System has not yet taken a position on this measure.

Your Committee finds that this measure would support a broad range of programs to enhance Hawaii's economic opportunities, particularly those in emerging industries. Many of these concepts have been debated by previous legislatures and members of your Committee welcome the opportunity for further discussions.

Your Committee also notes that the Board of the Employees' Retirement System (ERS) will review this bill at its next meeting on February 12, 2007. Their comments and recommendations will be critical to the final outcome of the proposed ERS language, and it is the intent of this Committee to consider fully the Board's comments and any other relevant information in determining the final form of the bill.

Your Committee recognizes the importance of Hawaii's emerging, innovative industries for the enormous potential they hold. For that reason, it is the intent of your Committee to delete certain provisions and incorporate those provisions in other measures. While the proposals contained in this bill are all related in some manner to an "innovation economy", your Committee believes that the programs would be most effectively



considered under separate measures involving additional committees. In that way, the merits of each may be reviewed in context with other comparable bills.

Your Committee has amended this measure accordingly, to:

- (1) In Part I, amend the findings to reflect subsequent changes;
- (2) In Part II, delete the two new sections proposed for Chapter 211F, Hawaii Revised Statutes, related to the Hawaii Innovation Fund, and streamline the amendments to section 88-119, Hawaii Revised Statutes;
- (3) Delete the language in Part III, relating to the collection and assessment of economic data, and incorporate these concepts in S.B. No. 709, S.D. 1;
- (4) Delete the language in Part IV, relating to the Asia Pacific International Research Center and the High Technology Development Corporation's ten-year lease guaranty, and incorporate these concepts in S.B. No. 896, S.D. 1;
- (5) Delete the language in Part V, relating to the digital media incubator facility, and incorporate these concepts in S.B. No. 1922, S.D. 1;
- (6) Delete the language in Part VI, relating to the music and learning experience program (MELE), and incorporate these concepts in S.B. No. 1922, S.D. 1;
- (7) In Part VII, delete the relevant appropriations and change those remaining appropriations to unspecified amounts;
- (8) Insert a deferred effective date to promote further discussion; and
- (9) Make technical amendments for the purposes of clarity and to conform to the preferred drafting style.

As amended, this measure focuses on the core issue of funding an innovation economy through enhanced venture capital and increased commercialization opportunities. Your Committee



strongly supports expanded venture capital and commercialization initiatives; and believes further work on these initiatives will be time well spent.

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 S.B. No. 1365, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1365, 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.:*	Committee Referral:	Date:
<i>SB 1365</i>	<i>EDT, WAM</i>	<i>2/8/07</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: <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;"><input type="checkbox"/> Pass, unamended 2312</div> <div style="text-align: center;"><input checked="" type="checkbox"/> Pass, with amendments 2311</div> <div style="text-align: center;"><input type="checkbox"/> Hold 2310</div> <div style="text-align: center;"><input type="checkbox"/> Recommit 2313</div> </div>		
Members	Aye	Aye (WR)
FUKUNAGA, Carol (C)	✓	
ESPERO, Will (VC)	✓	
ENGLISH, J. Kalani	✓	
IGE, David Y.	✓	
SLOM, Sam	✓	
<b>TOTAL</b>	<i>5</i>	
Recommendation: <div style="display: flex; justify-content: space-around; margin-top: 5px;"> <input checked="" type="checkbox"/> Adopted           <input type="checkbox"/> Not Adopted         </div>		
Chair's or Designee's Signature: <i>Will Espero</i>		
Distribution:	Original File with Committee Report	Yellow Clerk's Office
		Pink Drafting Agency

\*Only one measure per Record of Votes