

STAND. COM. REP. NO. 623

Honolulu, Hawaii

Feb 16, 2007

RE: H.B. No. 1279
H.D. 2

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred H.B. No. 1279, H.D. 1, entitled:

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

begs leave to report as follows:

The purpose of this bill to lay the foundation for an innovation economy by:

- (1) Establishing the Hawaii Innovation Investment Fund, a professionally-managed fund of funds in which the Employees' Retirement System may invest moderate amounts in Hawaii venture capital;
- (2) Improving the State's ability to measure the productivity of and establish benchmarks for the growth of Hawaii's economy;
- (3) Supporting the operations and programs of a state-operated technology incubator and innovation center in the Kaka'ako district of Honolulu;
- (4) Establishing a local incubator facility to develop Hawaii's digital media infrastructure for film and television productions and interactive game development;
- (5) Establishing the Music and Enterprise Learning Experience Program at the University of Hawaii (UH) -

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Honolulu Community College to develop the technical and business skills required by Hawaii's artists and music industry; and

- (6) Enhancing the ability of UH's Office of Technology Transfer and Economic Development to increase commercialization and the number of licensing agreements through a partnership with a qualified and experienced private sector entity.

Testimony in support of this bill was submitted by the Governor, Department of Business, Economic Development, and Tourism (DBEDT), University of Hawaii Office of Technology Transfer and Economic Development, High Technology Development Corporation, Kamehameha Schools, Technical Research Associates, Inc., The Hawaii Open Source Education Foundation, and Ambient Micro, LLC., testified in support of this bill. The University of Hawaii and Hawaii Science and Technology Council supported the intent of this measure. The Employees' Retirement System (ERS) commented on the bill.

Investment in technology and the emergence of innovation sector companies such as Hawaii Biotech and Hoku Scientific, investments in new innovative technology efforts such as the Music and Enterprise Learning Experience Program for the development of Hawaii's music artists and industry, are some ways in which Hawaii can expand its economy. This bill provides a means of financing required to grow Hawaii's emerging innovation companies and allow them to remain in Hawaii.

However, this is a complex issue. Serious concerns regarding the method of financing and other means used in this measure to achieve the goal of developing Hawaii's innovation economy have been raised. While your Committee believes these goals to be worthwhile, further discussion on this matter is warranted. Accordingly, your Committee has amended this measure by:

- (1) Removing language establishing the Hawaii Innovation Investment Fund in which the ERS would be allowed to invest moderate amounts in Hawaii venture capital;
- (2) Deleting all references to the Hawaii Innovation Fund;
- (3) Inserting language authorizing the ERS to conduct limited investments in privately-held Hawaii companies;



- (4) Deleting the authorization for the expenditure of funds from the Hawaii Innovation Fund by the Hawaii Strategic Development Corporation;
- (5) Changing its effective date to July 1, 2059; and
- (6) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Labor & Public Employment that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1279, H.D. 1, as amended herein, and recommends that it be referred to the Committee on Finance in the form attached hereto as H.B. No. 1279, H.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Labor & Public
Employment,



ALEX M. SONSON, Chair



