

November 29, 2004

Small
 tech, big
 bucks,
 bigger
 troubles?



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Top Story

Nanotechnology's supporters claim it will revolutionize the world and make millions for those who develop it; others say it will destroy life on earth. This makes the science of being small a big problem.

SNCJ Spotlight

Growing your next big industry: Nanotechnology

Hypesters say there are big bucks in nanotechnology — where scientists arrange atoms to create new molecule shapes and infinitesimally small machines on a scale 80,000 times smaller than a human hair — but there is one tiny little problem. According to its harshest critics, nanotechnology could eventually destroy all life on the planet.

for five years. In NORTH CAROLINA, the Governor signed off on \$3.8 million for UNC's Institute for Advanced Materials, Nanoscience & Nanotechnology (HB 1699 and SB 1354). A proposal in ILLINOIS to create \$15.8 million grant to Argonne National Laboratory for the Nanotechnology Institute (SB 3361) survived a line item veto and was enacted.

In late 2003 President Bush also signed the "21st Century Nanotechnology Research and Development Act (Pub. L. No. 108-153)" that authorizes \$3.7 billion for nanotechnology research and development from 2005-2008.

Of the top 10 states for nanotechnology profiled by the industry trade magazine *Small Times* (see *Bird's eye view* on page 5) earlier this year, almost all got a jump start with publicly funded research.

"With the exception of ARIZONA, each state in the top 10 list claims title to a national laboratory or to some of the most

acclaimed state and private science and engineering universities in the nation," writes Candace Stuart in the March/April issue. "Those as well as industrial centers like Motorola Research Labs in Tempe, Ariz., form the crucible for scientific and technological discoveries."

States have a lot of options. "Government can establish the infrastructure with research funds and matching funds, centers of excellence, commercialization infrastructure to get innovations to market. All these can layer upon layer to great effect," says Sean Murdock, Executive Director of the NanoBusiness Alliance.

"It is important for all these states, cities and municipalities to look at their

Bird's eye view



Small tech's big players

While nanotechnology focuses on making things small (see *SNCJ Spotlight* in this issue), the industry itself is growing larger by the day. But according to industry trade magazine *Small Times*, the effort to go big in the world of ultra-miniature has taken fire in some states more than others. The publication recently listed its top 10 nanotechnology states, and while technology hubs like California and MASSACHUSETTS (2) understandably grace the list, there is also representation from Rust Belt stalwarts like MICHIGAN (8) and OHIO (10). The Buckeye State joins CONNECTICUT as one of two new additions to the 2004 list — Ohio placed 17th last year, while the Granite State was 14th. The accompanying map shows the states and their order of rank.

To see the full story, visit the *Small Times* Web site at <http://www.smalltimes.com/>.

native industries to see where they are positioned to be excellent. Create the infrastructure to make that happen. Grow the commercial base they have rather than import from other areas,” says Murdock.

For states to benefit from nanotech they have to focus on keeping the tax base in place. “States need to foster partnership between startups, existing products and old line companies,” says Murdock. “Right now many of the startups partner with Japanese and Korean companies and so the value of that innovation goes overseas. It is a travesty for the United States.”

Not so in California, where the state’s robust nanotech transfer effort, the California NanoSystems Institute, has funded over \$100 million to state firms using 250 federally funded research grants. It has also facilitated the transfer of intellectual property to other companies.

“What’s required is more than writing a check,” says Derek Boston, CNI’s Senior Vice President. “States have to take a portfolio approach. For every ten efforts, six will be failures, two or three will be a singles or doubles and one is the home run that pays for all the money you spent.”

While federal law usually governs intellectual property law, there are some state specific issues, such as who owns the patent that was discovered with partial state funding. States need to look at local laws to ensure that state law helps rather than hurts commercialization efforts.

“Say you developed a nanoparticle polymer at a state university and you want to commercialize it. Some states will mandate that you have to submit your startup to competitive bidding,” says Berube. “That state law is saying that you have to advertise your trade secret in order to get funding.”

“We need to broaden the scope of what is getting funded,” says Scott Mize, President of the Foresight Institute, a nanotech thinktank. “We need to fund more basic types of research, we need to research the building blocks as well as the more advanced form like building nanoscale molecular machines.”

The Week in Session

Regular Session: DC, MI, NJ

Recess: DE “c”, IL, MA, NY

Skeleton Session: OH

Currently Prefiling (Drafts for 2005):
AR, CO, FL, GA, IN, KY, MT, ND, NH, NV,
OK, TN, TX, VA

Adjourned:

AK, AL, AZ, CA, CO, CT, DE, FL, GA, HI,
IA, ID, IN, KS, KY, LA, MD “2003 session”,
MD, ME, MN, MO, MS, NC, NE, NH, NM,
OK, RI, SC, SD, UT, VA, VT, WA, WI, WV,
WY

Special Session Adjourned:

AK “a”, AL “a”, AR “b”, CA “a”, CA “b”, CA
“c”, CT “a”, CT “b”, CT “c”, CT “d”, DE “a”,
GA “a”, IA “b”, IL “a-q”, KY “a”, LA “a”, ME
“a”, ME “b”, MS “a”, MS “b”, NC “c”, NY
“a”, OK “a”, OR “a”, TX “d”, UT “a”, UT “b”,
UT “c”, VA “a”, VA “b”, WA “a”, WA “b”, WA
“c”, WI “d”, WI “e”, WI “f”, WI “g”, WV “a”,
WV “b”, WV “c”, WY “a”

Projected to Adjourn: US, PA

Special Session Projected
to Adjourn:

CA “d”, CA “e”, MS “c”, NV “a”

Letters indicate special/extraordinary sessions
Source: State Net, 11/26/04



“If you look at the top 10 nanotech products of 2003, they are consumer products like tennis balls, better sunglasses and stain-resistant pants,” says Mize. “These are great products, important steps in commercializing nanotech, but government should focus on the major problems facing humanity, such as global warming, making sufficient drinking water, fighting AIDS, making agriculture more productive, etc.”

The U.S. Patent office has established Class 977 for nanotech inventions. However, working on such a small scale, scientific disciplines converge, as do existing patents, leading to legal disputes. The patent rules are currently being hammered out, but it could take years.

For business leaders, after funding and patent clarity, the third major federal issue is fear of regulation.

In addition to the mad science gray goo scenario, which even nanotech opponents admit is way beyond the current level of the technology, nanotech business leaders worry about unnecessary fear mongering. Some media critics have urged the public in print to rise up against nanotechnology, painting it as the next big science threat after genetically modified food. Others warn that advances in nanotechnology will reduce markets for commodities from poor nations.

“There are lots of groups in the business of declaring what’s wrong with something new,” says Mize. “They are very anti-technology and anti-globalization. It is a knee jerk reaction to something new or something they don’t understand. We need to engage in respectful and serious dialog to address those concerns, to get to the truth of the matter and have everyone be happy with the outcome.”

The nanotech industry sees regulation as a way of squelching progress. “Don’t regulate until regulations are justified,” says Berube. “Where there are a lot of roadblocks, researchers will just go to a foreign location...Japan, China and the European Union are serious competitors. If states don’t have development consortiums to find local business relationships with local nanotech firms, the other countries will.”

— *By DON LIPPER*

Don Lipper is a California-based freelance writer and a regular contributor to the *State Net Capitol Journal*.

This story is dedicated to the memory of our friend and colleague,
former SNCJ Editor Melanie Smith.

Budget & taxes

CONGRESS JUST SAYS NO TO INTERNET TAXATION: Heeding a call from anti-tax advocates and the high-tech industry, Congress last week approved S 150, legislation that renews through 2007 a ban on states taxing Internet access. The bill does allow the nine states that already impose such taxes — **HAWAII, NEW HAMPSHIRE, NEW MEXICO, NORTH DAKOTA, OHIO, SOUTH DAKOTA, TEXAS, WASHINGTON,** and **WISCONSIN** — to continue doing so, also through 2007. The 27 states which currently tax high-speed DSL lines did not fare as well, as the legislation requires that practice to end by November 2005.

The bill drew immediate praise from state governors, who were dead set against a permanent ban on access taxes. Nervous governors also feared the measure would wipe out as much as \$20 billion in state and local taxes on local and long-distance telephone service, but S 150 also ensures that governments can continue to tax all telephone services, including calls made over the Internet. In a statement after the vote, Raymond B. Scheppach, executive director of the National Governors Association, said, “The nation’s governors are pleased that Congress agreed on this reasonable extension of the previous ban on state and local taxation of Internet access. The temporary moratorium is fiscally fair and preserves existing state and local government revenues.”

Congress deftly avoided, however, dealing with the other Internet tax bugaboo — applying state sales tax to online purchases — during an election year. While nobody knows when that tricky subject will be addressed, S 150 heads to President Bush, who is expected to sign it into law. (STATELINE.ORG)

STATES’ FISCAL SQUEEZE ENDING? A new report from the Nelson A. Rockefeller Institute of Government at the State University of NEW YORK says only eight states were forced to raise taxes in 2004, a significant drop from previous years. The eight states that hiked taxes — **ALABAMA, ARKANSAS, CALIFORNIA, COLORADO, NEW JERSEY, OKLAHOMA, RHODE ISLAND,** and **VIRGINIA** — raised a total of \$2.6 billion in additional revenue, a hefty chunk but nonetheless a steep decline from the \$7 billion gathered in 2003. Most of the tax increases came as a result of legislative action, but three (California, Colorado, and Oklahoma) were the result of ballot measures approved by voters. Only two states actually cut taxes in 2004: **IOWA**, which restarted an energy sales tax phase-out the state had suspended, and **NEW HAMPSHIRE**, which sliced \$30 million from its general fund to pay for a

reduction in property taxes. The Iowa cut cost the state about \$63 million. The report also said that this year's tax hikes are the last that can be directly attributed to the 2001 recession that started most states spiraling downward into years of historic budget deficits. (STATE-LINE.ORG)

Upcoming Elections (11/22/2004 - 12/6/2004)

11/30/2004

Alabama - Special Election - House 47

12/04/2004

Louisiana - General Runoff - US House (3, 7)

BUDGETS IN BRIEF: The **PENNSYLVANIA** House rejected a Senate-approved plan that would have given millions of dollars in tax breaks to cable giant Comcast in exchange for moving its corporate headquarters several blocks into a new skyscraper in downtown Philadelphia. Comcast had touted the promise of thousands of new jobs at the new building, but opponents, including Republican lawmakers and major office landlords in Philadelphia, said the nation's No. 1 cable company hardly needed a government handout (PITTSBURGH POST-GAZETTE). • **ALASKA** wildlife officials have proposed doubling the cost of hunting licenses as a means of raising \$9 million a year to fund improvements in the state's wildlife management system. Advocates say the fee hikes — including a \$5 increase in the cost of fishing licenses — will fund the replacement of aging sportfish hatcheries, new predator control measures and basic management costs. The request must first be approved by the Last Frontier Legislature (ANCHORAGE DAILY NEWS). • **NEW JERSEY** Gov. Richard Codey (D) ordered all state departments to enact emergency savings measures to prepare for looming budget cuts. State finance analysts are expecting an approximate \$4 billion shortfall in the 2005 budget. The request came on the same day the state said tax collections for July through October were down 2.3 percent from previous estimates (STAR-LEDGER [NEWARK]). • Gov.-elect John Lynch (D) of **NEW HAMPSHIRE** echoed Codey's sentiments, telling all state department heads they will need to justify every dollar they hope to spend in the upcoming budget (NASHUA TELEGRAPH). • **CONNECTICUT** Gov. M. Jodi Rell (R) has ordered an immediate and indefinite ban on all out-of-state travel by state employees. Although one critic, Democratic lieutenant governor Kevin B. Sullivan, derided the ban as "insignificant" and "symbolic," Rell's budget chief, Marc S. Ryan, said the freeze could save the Constitution State as much as \$1.8 million in the current fiscal year. The state is anticipating a \$1 billion budget gap next fiscal year (HARTFORD COURANT).

— *Compiled by RICH EHISEN*



Politics & Leadership

S ESSION ENDS BADLY IN PA: PENNSYLVANIA Gov. Ed Rendell (D) has never had a warm relationship with the GOP-controlled Legislature, but the winter chill in the air turned downright frosty last week as lawmakers ignored Rendell’s midnight plea to have them stay around the Capitol until Nov. 30, the legally mandated end of the session. Rendell lobbied lawmakers not to go as soon as they hinted at cutting the session short, saying “There are still major things that need to be done. It would be irresponsible for us not to fix the funding gap that exists for mass transit. It makes no sense.”

Lawmakers did not agree, abruptly ending the 2003-04 session 10 days early. That move left much of Rendell’s agenda on the table, including a possible gasoline tax hike designed to pump \$110 billion into the state’s floundering mass transit system and an \$800 million environmental investment bond. An angry Rendell made it clear in a post-session news conference that he would no longer support a 20 percent pay raise that legislators had asked for. He also announced he would veto changes Republicans had just made the day before to improve a new law legalizing slot machines. That veto would doom a provision that has so far gained broad acceptance, a ban on a 1 percent ownership stake in gambling casinos by public officials.

GOP leaders reacted with anger of their own, as a representative for House Republican leader Sam Smith said Rendell “has proven to be impossible to negotiate with in any reasonable fashion.” Republicans claimed Rendell had waited too long to begin discussion on taxes for transit funding, and had tried “to cram that down our throats.” They also saw red over the failed pay hike, accusing Rendell of playing a game of quid pro quo with legislative pay hikes in order to force the tax increases for mass transit. Rendell bristled at the charge, saying lawmakers “haven’t made their case. How could anybody go back to regions where mass transit is important and say, ‘We couldn’t find money for mass transit, but we found \$15 million for a pay raise.’ How could you possibly do that? It’s an absolutely unsupportable position. It makes no bloody sense at all.”

Rendell could have the last laugh, as a little-known provision in the state’s oil franchise tax is expected to go into effect on Jan. 1 anyway, hiking the state gasoline tax by 3.8 cents a gallon. Although the bulk of the revenue would go to PennDOT, the state transportation authority, officials there joined Rendell to say they would be willing to cut their shares to raise \$190 million to fund public transit. (PITTSBURGH POST-GAZETTE, PITTSBURGH TRIBUNE-REVIEW)



Governors

GOP GOVS PONDER CHALLENGES AHEAD: The Republican Governors Association got together in New Orleans last week, but the tenor of their conversation was anything but a Big Easy. Although most made public happy faces over the numerous GOP positives brought on by the re-election of President George W. Bush and strong Republican gains in Congress, others voiced grave concerns about a number of issues kicking around the Beltway that could quickly send their respective trains skidding off the tracks.

MASSACHUSETTS Gov. Mitt Romney, himself a likely presidential candidate in 2008, noted that governors need Washington to figure out what it will do with Social Security and other entitlement programs for the poor. “We have an enormous age wave about to hit our safety net programs, our senior programs,” he said. “How do we deal with that? Now is a political opportunity.” MISSISSIPPI Gov. Haley Barbour, a former Republican National Committee chairman, also chimed in on social spending issues, saying the Bush administration needs to make resolving the ongoing fiscal crush of the federally mandated Medicaid program on cash-strapped states a top priority in 2005.

“The biggest challenge for most governors is Medicaid,” said Barbour. “You can’t get control of the federal budget if you don’t get control of health care.”

Both issues are so far on the Bush administration radar. The President has continually expressed strong support for overhauling Social Security by allowing younger workers to invest a portion of their payroll tax into personal accounts, and Health and Human Services director Tommy Thompson — a former WISCONSIN governor — has proffered a plan that would give states block grants for Medicaid that would allow them greater flexibility in how they oversee the program. Thompson’s idea drew kudos from some governors, while others expressed worry that it could end up cutting the amount of federal money their states receive.

ARKANSAS Gov. Mike Huckabee, who has become a staunch crusader for health care issues since undergoing a weight loss program that saw him lose over 100 pounds in the last year, joined in the health care chorus, but urged a more proactive effort from governors in the process. Huckabee said that while it is important for governors to force Washington into taking some kind of action, they should not expect to just be able to complain and expect things to happen. “I think we have to go [to the administration] and say we have a plan,” Huckabee said.

(WASHINGTON POST)



REGISTER). • **KANSAS** Gov. Kathleen Sebelius (D) asked wind energy developers to voluntarily refrain from planning any new projects across almost 3 million acres of Sunflower State prairie. A Sebelius spokesperson said the request would give the governor time to pull together not only a wind energy plan but also a plan for economic development and financial incentives for counties that will not be able to develop wind power (KANSAS CITY STAR).

— *Compiled by RICH EHISEN*

Hot issues

B **USINESS:** A **NEW JERSEY** Assembly committee approves AB 3482, a bill that would bar the Garden State treasury from investing pension funds in companies that do business in Sudan. The federal government already prohibits American companies from doing business with the Sudanese government, which is accused of committing genocide in the Darfur region. This marks the first divestiture proposal since the state pulled investments in South Africa in the 1980's. It moves now to the full Assembly (STAR-LEDGER [NEWARK]).

CRIME & PUNISHMENT: The **WASHINGTON** Supreme Court rules that people convicted under the Evergreen State's felony murder law prior to it being reworked in 2003 cannot be held to its current standards. The decision could mean that as many as 300 prisoners serving time for murder will have their convictions set aside (SEATTLE POST-INTELLIGENCER). • A **MINNESOTA** court rules that the Gopher State's implied consent law, which allows officers to automatically revoke the driver's license of a motorist that refuses to consent to a roadside drug or alcohol test, is unconstitutional. The presiding judge agreed to stay his ruling in order to let the Minnesota Court of Appeals hear the case (ST. PAUL PIONEER PRESS). • A **NEW JERSEY** Assembly committee endorses AB 698, legislation that makes it a crime punishable by up to 18 months in jail and a \$10,000 fine to take nude or otherwise compromising pictures of an unwitting person by any means, including via cell phone. It moves to the full Assembly (STAR-LEDGER [NEWARK]).

EDUCATION: A **UTAH** legislative task force rejects a proposal to impose limits on school construction costs and campus size in districts that accept state funding for such projects. The task force said such restrictions would usurp the power of local school boards (SALT LAKE TRIBUNE).

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Once around the statehouse lightly

WILL HE OR WON'T HE? That is the question many political junkies in NEW JERSEY are asking about newly installed Gov. Richard Codey. The Democrat became governor only two weeks ago upon the resignation of James McGreevey, and folks now want to know if Codey will run for a full term as governor in 2006. With that in mind, Codey quieted the audience at a recent League of Municipalities convention in Atlantic City when he took the podium and announced that he had “made a decision.” One interested attendee, notes the *Newark Star-Ledger*, was Democratic U.S. Sen. Jon Corzine, who is expected to enter the gubernatorial fray himself. Speaking in hushed tones, Codey revealed how he and his wife had engaged in “soul searching” talks on the subject. The governor then announced: “We are not getting another dog.” The audience laughed. No word on whether Corzine was amused.

NEVER MIND THE TAB. Theme song for the administration of ALASKA Gov. Frank Murkowski these days? “Good News.” In this case, though, the chariot ain’t coming. The printing bill is. As the *Anchorage Daily News* reports, Murkowski’s minions recently published a 12-page newspaper insert extolling the virtues of none other than Frank Murkowski on the occasion of his second anniversary as chief executive. More than 146,000 copies of the insert were stuck into Alaskan papers at a cost of \$23,993. The administration reports that a paltry 6 cents per copy was spent on the paper, but that only included the cost to print it. Inserting, shipping and miscellaneous fees upped the per-copy price to 16 cents, but who’s counting?

QUEEN FOR A DAY. It’s not every day that Little Rock, ARKANSAS, is the epicenter of anything; much less the nation’s yearning for celebrity gawking. But the recent opening of the Clinton Presidential Library brought an array of human glitter to the Ozarks gateway and with it, a new sense of pride for local townsfolk. According to The Associated Press, the likes of Robin Williams, John Kerry, Howard Dean, Al Franken, Bono, Mary Steenburgen, Kevin Spacey and Morgan Freeman — not to mention former presidents Bush and Carter and current President Bush — all descended on Little Rock for the event, causing traffic jams and more. Local businesses were delighted with the neighborhood’s new cash cow, as



were civic promoters. “We strutted our stuff,” said one. And then, everyone went home — including the Clintons, who now consider themselves residents of NEW YORK. Remains to be seen how many of the glitteri come back.

IF IT HAS A PULSE, TAX IT. One event that has a growing pulse in NEW HAMPSHIRE these days is the charity poker tournament. Now the state wants to grab a share of the proceeds, reports *The Nashua Telegraph*. Members of the House Finance Committee are mulling over whether to tax high-stakes poker profits. Not the money taken in by winners, but the cash that promoters earn to set up and run the games. Granite State law allows charities to hold up to 10 Monte Carlo fundraisers each year, and some take in thousands of dollars. About 30 charities have applied to the state attorney general for permission to run games — so potential revenue to the state is starting to look like more than budget dust. Bluff, anyone?

— *By A.G. BLOCK*

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