



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

NEIL ABERCROMBIE
GOVERNOR

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Statement of
RICHARD C. LIM
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON WAYS AND MEANS

Wednesday, March 28, 2012
9:30 a.m.

State Capitol, Conference Room 211
in consideration of

HB 2319, H.D.2, S.D.1
RELATING TO ECONOMIC DEVELOPMENT

Chair Ige, Vice-Chair Kidani and Committee members:

The Department of Business, Economic Development and Tourism supports Part I of HB 2219, H.D.2, S.D.1 which exempts grants made under the community-based economic development program from the Hawaii public procurement code under Section 103D. This is to remain consistent with legislative intent when the CBED grants program was established in 1990, prior to the enactment of the procurement code in 1993.

With regard to Part II, clarifying expenditure authority of the hydrogen investment capital special fund, we respectfully defer testimony to the Hawaii Strategic Development Corporation. We would, however, like to voice our support, as this portion of the bill clarifies HSDC's oversight role.

With regard to Part III, which repeals the High Technology Innovation Corporation, we respectfully defer testimony to the High Technology Development Corporation. We would,

however, like to voice our opposition to this portion of the bill as we believe part of the future success of Hawaii's economy will come from facilitation of the growth and development of the commercial high technology industry --- the purpose for which the high technology innovation corporation was created.

Thank you for the opportunity to offer these comments.



**STATE OF HAWAII
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**COMMENTS
OF
AARON S. FUJIOKA
ADMINISTRATOR
STATE PROCUREMENT OFFICE**

**TO THE
SENATE COMMITTEE
ON
WAYS AND MEANS**

March 28, 2012

9:30 a.m.

HB 2319, HD2, SD1

RELATING TO ECONOMIC DEVELOPMENT.

Chair Ige, Vice-Chair Kidani, and committee members, thank you for the opportunity to submit comments on HB 2319, HD2, SD1. This bill would allow an exemption from HRS chapter 103D, Hawaii Public Procurement Code, for the selection of grant applicants for the community-based economic development program.

The State Procurement Office opposes SECTION 2 of this bill. SECTION 2 is not appropriate because regardless of what it may be called "grants" are the awarding of public funds resulting in a contract with a private entity, and should be done in accordance with public procurement principles. The department should use the solicitation process pursuant to HRS section 103D-303, competitive sealed proposals (CSP) to award "grant" funds. The CSP process includes public notice to disclose the department's intent to seek applicants including a description of the performance or benefit required, scope or parameters of the service/activity, terms and conditions, requirements and estimated funding, criteria/evaluation factors, etc. and may be for multiple years and multiple awards to various applicants.

Public procurement's primary objective is to provide everyone equal opportunity to compete for government contracts, to prevent favoritism, collusion or fraud in awarding of contracts. There is nothing unique or special in the awarding of "grant" funds that cannot be acquired in the CSP process to warrant an exemption.

To legislate that any one agency should be exempt from compliance with HRS chapter 103D conveys a sense of disproportionate equality in the law's application. SECTION 2 should be deleted.

Written Statement of
Assumpta Rapoza
Chair of the Board of Directors
High Technology Development Corporation
and member of
High Technology Innovation Corporation
and also member of
Hawaii Strategic Development Corporation
before the
SENATE COMMITTEE ON WAYS AND MEANS
Wednesday, March 28, 2012
9:30 AM
State Capitol, Conference Room 211
In consideration of
HB2319 HD2 SD1 RELATING TO ECONOMIC DEVELOPMENT.

Chair Ige, Vice Chair Kidani, and Members of the Senate Committee on Ways and Means:

As the Board Chair of the High Technology Development Corporation (HTDC), a member of the board of the High Technology Innovation Corporation (HTIC), and a member of the board of the Hawaii Strategic Development Corporation (HSDC), I respectfully **oppose Part III only** of HB2319 HD2 SD1 regarding the repeal of the High Technology Innovation Corporation.

After conferring with the Boards, HTDC and HTIC oppose the repeal of HTIC. It is critical for HTDC to have viable alternatives to continue its mission to stimulate and nurture the building of the high technology industry. The upcoming termination of the land lease at the Manoa Innovation Center in April 2015 threatens a critical funding source from rent income and viable space to fulfill HTDC's incubation mission. We are cognizant of the challenges to be overly dependent on government funding source. Consistent with the HTDC mission, the availability of a structure such as HTIC would provide us with a vehicle to be innovative within the legal and state governance structure to explore potential viable funding alternatives. The need for the alternative funding structure still exists today, as it did when HTIC was first created.

In 2005, The High Technology Innovation Corporation (HTIC) was created by the Hawaii State Legislature as a 501(c)(3) public not-for-profit corporate body to facilitate the growth and development of the commercial high technology industry in Hawaii. The not-for-profit structure was envisioned to facilitate public private partnerships, federal and state funding of high technology programs, and identifying other funding resources—offering great financial leverage to HTDC and the State of Hawaii government. In particular, the State government saw it as a vehicle to leverage community support to facilitate economic growth for the betterment of the community. The not-for-profit structure is a model that has been successfully utilized by other states to support technology based economic development. The broadband deployment and

adoption, a key initiative of Governor Abercrombie, is an example where an organization such as HTIC could be leverage to further its purpose.

HTIC currently has a voluntary moratorium on all activities amidst well documented legislative concerns about its effective use. The formation of HTIC had consumed a lot of government, volunteer resources and your time. It would be a terrible waste to dismiss the foundation built, and perhaps restart the effort at a later time. The time and effort required to establish such a structure will compromise our agility to response or proactively lead the charge for innovation activities.

While HTDC is not utilizing HTIC's services now due to its voluntary moratorium, there were certainly plenty of opportunities where HTIC would have been an ideal structure to conduct business on behalf of the State, such as an application to the US Department of Commerce's Economic Development Administration for a venture accelerator, in concert with the Hawaii Strategic Development Corp.). We believe such opportunities are still out there for us to explore. Further, it does not cost the state any money to preserve it and its potential viability as an innovation and economic development vehicle. While we work to resolve the landlease issue by 2015, the availbilty of the HTIC structure will serve as an important alternatives that HTDC would potentially leverage for public good. The fate of the HTIC structure can be revisited upon the final resolution of the HTDC landlease and funding issues. **We respectfully request that Part III be removed from this bill.**

Thank you for the opportunity to submit testimony on this bill.

Written Statement of
YUKA NAGASHIMA
Executive Director & CEO
High Technology Development Corporation
and also as
President
High Technology Innovation Corporation
before the
SENATE COMMITTEE ON WAYS AND MEANS
Wednesday, March 28, 2012
9:30 AM
State Capitol, Conference Room 211
In consideration of
HB2319 HD2 SD1 RELATING TO ECONOMIC DEVELOPMENT.

Chair Ige, Vice Chair Kidani, and Members of the Senate Committee on Ways and Means:

The High Technology Development Corporation (HTDC) and High Technology Innovation Corporation (HTIC), would like to respectfully **oppose Part III only of HB2319 HD2 SD1** regarding the repeal of the High Technology Innovation Corporation.

HTDC and HTIC oppose the repeal of HTIC. HTDC is currently in jeopardy of losing its primary funding source with the impending expiration of the land lease at the Manoa Innovation Center in April 2015. At that time, HTDC will be without a home to run our incubation services and without estimated \$660K of annual rent revenue to our S-fund to maintain the program at its current level.

Proposed solutions of a new facility or additional G-funds could be viable, but an **additional annual \$660k G-fund burden to the State may be difficult to sustain** and an alternate host site is neither currently available nor feasible for construction in the given time frame. HTIC could provide an alternate vehicle to ensure HTDC programs continue. The possible need for alternative revenue source is exactly the reason it was created.

In 2005, The High Technology Innovation Corporation (HTIC) was created by the Hawaii State Legislature as a 501(c)(3) public not-for-profit corporate body to facilitate the growth and development of the commercial high technology industry in Hawaii. The not-for-profit structure was envisioned to facilitate public private partnerships, federal and state funding of high technology programs, and identifying other funding resources - offering great financial leverage to HTDC and the State of Hawaii government. In particular, the State government saw it as a vehicle to receive donations from the private sector to leverage the tax deductible status. The not-for-profit structure is a model that has been successfully utilized by other states to support technology based economic development as well as broadband deployment and adoption, a key initiative of Governor Abercrombie. The HTIC currently has a voluntary moratorium on all activities amidst well documented legislative concerns about its effective use.

While HTDC does not have any immediate plans to utilize the HTIC, it does not cost the state any money to maintain and it provides a potential public private funding opportunity for the State to fund high technology economic development programs should the need arise in 2015. Creating a replacement for HTIC takes a fair amount of time and requires a lot of education and political support. Therefore, we hope you would consider removing Part III from this bill.

Thank you for the opportunity to submit testimony on this bill.



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Written Statement of

KARL FOOKS
President

Hawaii Strategic Development Corporation

before the

SENATE COMMITTEE ON WAYS AND MEANS

March 28, 2012

9:30 AM

State Capitol, Conference Room 211

In consideration of

HB 2319 HD2 SD1 RELATING TO ECONOMIC DEVELOPMENT

Chair Ige, Vice Chair Kidani, and Members of the Committee on Ways and Means:

The Hawaii Strategic Development Corporation (HSDC) supports HB 2319 HD2 SD1, Part II, which amends HRS 211F to clarify HSDC's oversight role with the Hydrogen Investment Capital Special Fund.

When the Hydrogen Investment Capital Special Fund was created it was housed within HSDC's statute, but expending authority was given to the Department of Business Economic Development and Tourism (DBEDT). DBEDT has administered this program to date and HSDC has not been actively involved. With staff changes at DBEDT, HSDC has been requested to provide active oversight over the program. To effect this change, HSDC has been advised to have the expending authority for this program changed to HSDC from DBEDT. The program's funds have been fully encumbered and management of the fund has been contracted to a private fund manager. None of the current arrangements would be affected. HSDC will consider the special fund part of HSDC's investment portfolio and HSDC will manage this program on the same basis as the other investment funds in our portfolio. There is no impact on the General Fund and no impact on the special fund.

Thank you for the opportunity to submit testimony on this bill.