



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

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Statement of
RICHARD C. LIM
Director
Department of Business, Economic Development, and Tourism
before the
**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY
AND
SENATE COMMITTEE ON PUBLIC SAFETY, GOVERNMENT OPERATIONS, AND
MILITARY AFFAIRS**
Monday, January 30, 2012
2:30 P.M.
State Capitol, Conference Room 016
in consideration of
SB 2239
RELATING TO ECONOMIC DEVELOPMENT

Chairs Fukunaga and Espero, Vice-Chairs Wakai and Kidani and Committee members:

The Department of Business, Economic Development and Tourism supports Part I of SB2239 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 regards 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 regards 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.



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Written Statement of

KARL FOOKS
President

Hawaii Strategic Development Corporation

before the

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY
and

**SENATE COMMITTEE ON PUBLIC SAFETY, GOVERNMENT OPERATIONS, AND
MILITARY AFFAIRS**

January 30, 2012

2:30 PM

State Capitol, Conference Room 016

In consideration of

SB 2239 RELATING TO ECONOMIC DEVELOPMENT

Chair Fukunaga, Chair Espero, and Members of the Committee on Economic Development and Technology and the Committee on Public Safety, Government Operations, and Military Affairs:

The Hawaii Strategic Development Corporation (HSDC) supports SB 2239, 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.

Written Statement of
YUKA NAGASHIMA
Executive Director & CEO
High Technology Development Corporation
and also as
President
High Technology Innovation Corporation
before the
SENATE COMMITTEES ON
ECONOMIC DEVELOPMENT & TECHNOLOGY AND PUBLIC SAFETY,
GOVERNMENT OPERATIONS, & MILITARY AFFAIRS
Monday, January 30, 2012
2:30 PM
State Capitol, Conference Room 016

In consideration of
SB 2239 RELATING TO ECONOMIC DEVELOPMENT.

Chairs Fukunaga and Espero, Vice Chairs Wakai and Kidani, and Members of the Senate Committees on Economic Development & Technology and Public Safety, Government Operations, & Military Affairs.

The High Technology Development Corporation (HTDC) and High Technology Innovation Corporation (HTIC) would like to provide comments on Part III of SB2239 regarding the repeal of the High Technology Innovation Corporation.

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 public 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, HTDC has not had the opportunity to discuss the implications of this bill with the HTDC and the HTIC board of directors. Until HTDC has the opportunity to obtain the boards' position, we respectfully ask the committee hold the bill.

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



**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

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**TESTIMONY
OF
AARON S. FUJIOKA
ADMINISTRATOR
STATE PROCUREMENT OFFICE**

**TO THE
SENATE COMMITTEES
ON
ECONOMIC DEVELOPMENT AND TECHNOLOGY
AND
PUBLIC SAFETY, GOVERNMENT OPERATIONS, AND MILITARY AFFAIRS**

January 30, 2012

2:30 PM

SB 2239

RELATING TO ECONOMIC DEVELOPMENT.

Chair Fukunaga and Espero, Vice-Chair Wakai and Kidani, and committee members, thank you for the opportunity to testify on SB 2239. This bill would allow an exemption from HRS chapter 103D, Hawaii Public Procurement Code, for the selection of grant applicants for community-based economic development activities.

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 follow the solicitation process pursuant to HRS section 103D-303, competitive sealed proposals (CSP) to award grants. 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 grants that cannot be accommodated in the CSP process to warrant an exemption.

To grant this exemption is basically allowing the department, sole discretion in who receives these grants. SECTION 2. should be deleted.