

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT AND BUSINESS  
ON  
HOUSE BILL NO. 2470

January 31, 2014

RELATING TO ECONOMIC DEVELOPMENT

House Bill No. 2470 establishes the Hawaii Innovations Fund to provide grants to individuals or businesses that perform research or product development projects in the life sciences or advanced technology fields. The Hawaii Innovations Fund is to be capitalized by a \$100,000,000 general fund appropriation for FY 2015, and by annual transfers of one-half of one percent of general fund revenue collections for the period from FY 2016 through FY 2019. House Bill No. 2470 includes a \$100,000,000 special fund appropriation for FY 2015 and specifies that any fund balances as of June 30, 2020 will be transferred to the general fund.

The Department of Budget and Finance notes that the general fund impact of this bill is substantial. In addition to the \$100,000,000 general fund appropriation for FY 2015, estimated general fund tax revenue deposits into the Fund (based on the Council on Revenues' latest projections) will amount to \$32.7 million for FY 2016, \$34.5 million for FY 2017, \$36.6 million for FY 2018, and \$38.6 million for FY 2019. These general fund expenditures are not accounted for in the State's general fund financial plan.

Creating such funds and objectives using public funds to support private enterprises should be thoroughly thought-out to ensure they are sustainable and that the use of public tax dollars return substantially more benefit and value to taxpayers. There are a number of investment funds already supported in state government. For example, the Employees' Retirement System already seeds a Hawaii-focused high-technology investment fund and the Department of Business, Economic Development and Tourism also has an innovation fund. In addition, the Administration has a proposal to appropriate \$6 million in FY 2015 for the Hawaii Growth Initiative Fund. All these measures have quantitative experience on the effectiveness of such approaches and provide insight as to the return on investment of tax revenue and the use of tax payer dollars to assist private ventures. Seeding \$100,000,000 without thorough value analysis is not appropriate.



HAWAII  
STRATEGIC  
DEVELOPMENT  
CORPORATION

Written Statement of

**KARL FOOKS**  
**President**

Hawaii Strategic Development Corporation

Before the  
**COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS**

**January 31, 2014**  
**9:00 AM**  
**State Capitol, Conference Room 312**

In consideration of  
**HB 2470 RELATING TO ECONOMIC DEVELOPMENT**

Chair Tsuji, Vice Chair Ward and Members of the Committee on Economic Development & Business:

The Hawaii Strategic Development Corporation (HSDC) respectfully submits comments on HB 2470, legislation that appropriates \$100 million to a University of Hawaii innovation fund.

The National Science Foundation, one of the major grant providers for commercialization, has recently determined that grant funds alone do not generate commercial success. The NSF concluded that 1) a team is more important than an idea, 2) IP is overvalued at most stages of development, 3) it costs much more to get to market, and 4) education and intervention can help.

We recommend the Legislature consider a comprehensive strategy to link research commercialization with entrepreneurial development (teams) and investment capital (markets and money) as a means to stimulate an entire ecosystem that can support the critical mass needed to achieve the goal of this legislation of translating research activity into commercial success.

Thank you for the opportunity to provide testimony.



**HPCA**

HAWAII PRIMARY CARE ASSOCIATION

**House Committee on Economic Development & Development**

The Hon. Cliff Tsuji, Chair

The Hon. Gene Ward, Vice Chair

**Testimony in Support of House Bill 2470**

**Relating to Economic Development**

**Submitted by Robert Hirokawa, Chief Executive Officer**

**January 31, 2014, 9:00 am, Room 312**

The Hawaii Primary Care Association (HPCA), which represents the federally qualified community health centers in Hawaii, supports House Bill 2470, establishing the Hawaii innovations fund.

The HPCA is a staunch believer in the social determinants of health, those economic and social conditions that influence an individual and a community's health status. These conditions serve as risk factors endemic to a person's living and working environment, rather than their behavioral or genetic histories. Factors such as income, education, access to recreation and healthy foods, housing, and employment, can and do have measurable impacts on a person and a community, both in health and financial outcomes.

House Bill 2470 speaks to one of these major determinants directly by seeking to expand funding for expansion and development of the life sciences and technology fields.

For these reasons, we strongly support this measure and thank you for the opportunity to testify.