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TESTIMONY
OF
SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEE
ON
ECONOMIC DEVELOPMENT & BUSINESS

February 8, 2017, 9:00 am

HOUSE BILL 973
RELATING TO ECONOMIC DEVELOPMENT

Chair Nakashima, Vice-Chair Keohokalole and members of the committee, thank you for the opportunity to submit testimony on House Bill 973.

The State Procurement Office (SPO) recommends that moneys used to pay for the cost of administering, operating and marketing the program be subject to HRS Chapter 103D, and 103F, where applicable.

The SPO supports the intent of the bill, however, SPO has concerns over the verbiage on Page 7, Lines 16-20 which states: "§ -7 Moneys appropriated for the research and technology grant program may be used to pay for the cost of administering, operating, and marketing the grant program, as determined by the chief executive officer of the corporation."

The general office and operating costs such as administration, operations, marketing etc., are not specific to complex research and technology, rather they are the day-to-day procurements that state departments and agencies are required to use the Hawaii Public Procurement Code (code). To allow these areas to be exempt along with research grants erode the principles of why the procurement code exists, denies use of existing discounted state-wide contracts that leverage cost-savings through economies of scale and depletes competition.

The code is the single source of public procurement policy to be applied equally and uniformly, while providing fairness, open competition, a level playing field, government disclosure and transparency in the procurement and contracting process vital to good government.

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. To legislate that any one entity should be exempt from compliance with both HRS chapter 103D and 103F conveys a sense of disproportionate equality in the law's application.

Exemptions to the code mean that all procurements made with taxpayer monies will not have the same oversight, accountability and transparency requirements mandated by those procurements processes provided in the code. It means that there is no requirement for due diligence, proper planning or consideration of protections for the state in contract terms and conditions, nor are there any set requirements to conduct cost and price analysis and market research or post-award contract management. As such, Agencies can choose whether to compete any procurement or go directly to one contractor. As a result, leveraging economies of scale and cost savings efficiencies found in the consistent application of the procurement code are lost. It also means Agencies are not required to adhere to the code's procurement integrity laws.

The National Association of State Procurement Officials state: "Businesses suffer when there is inconsistency in procurement laws and regulations. Complex, arcane procurement rules of numerous jurisdictions discourage competition by raising the costs to businesses to understand and comply with these different rules. Higher costs are recovered through the prices offered by a smaller pool of competitors, resulting in unnecessarily inflated costs to state and local governments."

When public bodies or programs, are removed from the state's procurement code it results in the harm described above. As these entities create their own procurement rules, businesses are forced to track their various practices.

Relieving some programs from some laws by exempting or excluding them from compliance with a common set of legal requirements creates an imbalance wherein the competitive environment becomes different among the various jurisdictions and the entire procurement process becomes less efficient and costlier for the state and vendors.

Thank you.



HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS
The Honorable Mark M. Nakashima, Chair
The Honorable Jarrett Keohokalole, Vice Chair

H.B. No. 973, Relating to Economic Development

Hearing: Wednesday, February 8, 2017, 9:00 a.m.

The Office of the Auditor **supports the access-to-information provision of H.B. No. 973**, Relating to Economic Development, which establishes a research and technology grant program within the High Technology Development Corporation (HTDC). HTDC would be responsible for developing and administering the program to award grants to qualified research and technology companies that meet several criteria. One qualifying criterion is that the research and technology company must allow HTDC, legislative committees and their staff, and the auditor “full access to their records, files, and other related documents and information for the purposes of monitoring, measuring the effectiveness of, and ensuring proper expenditure of the grant.” Should the legislature request us to evaluate the research and technology grant program, access to such company information and records would be essential to our performing such an evaluation. Accordingly, we strongly support the provision that would ensure we have such access.

Thank you for considering our testimony related to H.B. No. 973.



High Technology Development Corporation

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Written Statement of
Robbie Melton
Executive Director & CEO
High Technology Development Corporation
before the
House Committee on Economic Development & Business
Wednesday, February 8, 2017
9:00 a.m.
State Capitol, Conference Room 309

In consideration of
HB973
RELATING TO ECONOMIC DEVELOPMENT.

Chair Nakashima, Vice Chair Keohokalole, and Members of the Committee on Economic Development and Business.

The High Technology Development Corporation (HTDC) **supports** HB973 that establishes and appropriates funds for a Research and Grant Technology Program within the High Technology Development Corporation.

As part of HTDC's vision to create 80,000 new innovation jobs in Hawaii earning \$80,000 or more by 2030, HTDC supports initiatives aimed at promoting technology and innovation jobs. Many Hawaii technology companies and their employees already contribute generously to the community with their time and expertise to inspire students to pursue careers in STEM fields. They volunteer as judges and mentors for various robotics, science fair, coding, and entrepreneurial events.

The grant program would encourage more companies to contribute in assisting the students. Furthermore, it would provide some resource for company driven projects which would better educate the students on the immediate STEM job opportunities available in Hawaii.

HTDC comments that the bill should clarify the intent of "direct participation or input of students" and clarify that projects that receive grant funds should be specifically for the benefit of the students. The bill should also clarify whether paid student internships should be considered eligible.

HTDC comments that the eligibility requirements for the bill HB973 may be unnecessarily restrictive. Specifically, the bill requires companies to have secured patents, federal contracts, incorporated in the state of Hawaii, and be in business for greater than 5 years. The qualifications are intended to ensure the program awards grants to companies with a proven technology track record but reduces the pool of eligible companies. HTDC suggests that a broader eligibility requirement would encourage more companies to participate and allow the applications to be judged on merit. The program should be limited to technology and innovation companies with primary headquarters in Hawaii which may be vetted by an evaluation committee. The demonstrated contribution of the company to the Hawaii community can be one of several criteria.

We support this initiative as long as it does not replace our priorities requested in the Executive Budget. Thank you for the opportunity to offer these comments.

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 6, 2017 1:51 PM
To: edbtestimony
Cc: achung@navatekltd.com
Subject: Submitted testimony for HB973 on Feb 8, 2017 09:00AM

HB973

Submitted on: 2/6/2017

Testimony for EDB on Feb 8, 2017 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
ann chung	Navatek	Support	Yes

Comments: We strongly support HB973. STEM or Science, Technology, Engineering and Math jobs are expected to grow twice as fast as non-STEM professions in the coming years but according to a recent study, Hawaii lags sorely behind. And it all begins with fostering interest in STEM at the k-12 and University levels. This bill is a very positive and unique way to BOTH nurture and cultivate students' interest in STEM fields while at the same time supporting our technology companies and STEM jobs. This will enhance and encourage more projects and programs focused on STEM with direct participation of K-12/university students.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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keohokalole2 - Anthony

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To: edbtestimony
Cc: klock@navatekltd.com
Subject: *Submitted testimony for HB973 on Feb 8, 2017 09:00AM*

HB973

Submitted on: 2/6/2017

Testimony for EDB on Feb 8, 2017 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Kacey Lock	Individual	Support	No

Comments:

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keohokalole2 - Anthony

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To: edbtestimony
Cc: gary@navatekltd.com
Subject: *Submitted testimony for HB973 on Feb 8, 2017 09:00AM*

HB973

Submitted on: 2/6/2017

Testimony for EDB on Feb 8, 2017 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Gary Shimosono	Individual	Support	No

Comments:

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keohokalole2 - Anthony

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Sent: Monday, February 6, 2017 2:30 PM
To: edbtestimony
Cc: eschiff5@gmail.com
Subject: Submitted testimony for HB973 on Feb 8, 2017 09:00AM

HB973

Submitted on: 2/6/2017

Testimony for EDB on Feb 8, 2017 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Eric Schiff	Individual	Support	No

Comments: I strongly support HB973.

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keohokalole2 - Anthony

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To: edbtestimony
Cc: smatsuura@navatekltd.com
Subject: *Submitted testimony for HB973 on Feb 8, 2017 09:00AM*

HB973

Submitted on: 2/6/2017

Testimony for EDB on Feb 8, 2017 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Susan Matsuura	Individual	Support	No

Comments:

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keohokalole2 - Anthony

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Sent: Monday, February 6, 2017 4:13 PM
To: edbtestimony
Cc: awhite@navatekltd.com
Subject: *Submitted testimony for HB973 on Feb 8, 2017 09:00AM*

HB973

Submitted on: 2/6/2017

Testimony for EDB on Feb 8, 2017 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Audra White	Individual	Support	No

Comments:

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Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Economic Development & Business
Wednesday, February 8, 2017 at 9:00 A.M.
Conference Room 309, State Capitol**

RE: HOUSE BILL HB 973 RELATING TO ECONOMIC DEVELOPMENT

Chair Nakashima, Vice Chair Keohokalole, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 973, which establishes and appropriates funds for a Research and Grant Technology Program within the High Technology Development Corporation.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

The Chamber supports efforts to expand and diversify the economy. HB 973 would provide necessary capital to assist small businesses in expansion, improving the quality and efficiency of their operations, and to stay updated with safety and quality control programs. It is crucial that Hawaii's businesses receive support in order to grow to the next level and be able to compete globally.

Thank you for the opportunity to testify.