



STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

WRITTEN ONLY
TESTIMONY BY LAUREL A. JOHNSTON
ACTING DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 2556, H.D. 1

February 16, 2018
3:00 p.m.
Room 308

RELATING TO INNOVATION BUSINESS

House Bill No. 2556, H.D. 1, establishes the Research and Development (RD) Program in the Hawaii Technology Development Corporation to help Hawai'i-based small businesses collaborate with commercial partners to further refine and optimize research and development performed in Hawai'i; establishes the RD Special Fund; appropriates an unspecified amount of general funds for FY 19 to be deposited into the RD Special Fund; and appropriates an unspecified amount from the RD Special Fund for FY 19 to carry out the purposes of the program.

While the Department of Budget and Finance takes no position on the RD Program, as a matter of general policy, the department does not support the creation of any special fund which does not meet the requirements of Section 37-52.3, HRS. Special funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program

and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. In regards to House Bill No. 2556, H.D. 1, it is difficult to determine whether the proposed special fund would be self-sustaining.

It should also be noted from a technical aspect that House Bill No. 2556, H.D. 1, contains no source of revenue for the proposed RD Special Fund.

Thank you for your consideration of our comments.

HB-2556-HD-1

Submitted on: 2/15/2018 12:28:31 PM

Testimony for FIN on 2/16/2018 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	OCC Legislative Priorities Committee, Democratic Party of Hawaii	Support	No

Comments:

**PRESENTATION OF THE
OAHU COUNTY COMMITTEE ON LEGISLATIVE PRIORITIES**

DEMOCRATIC PARTY OF HAWAII

TO THE COMMITTEE ON FINANCE

THE HOUSE OF REPRESENTATIVES

TWENTY-NINTH LEGISLATURE

REGULAR SESSION OF 2018

Friday, February 16, 2018

3:00 p.m.

Hawaii State Capitol, Conference Room 308

RE: Testimony in Support of HB 2556 HD1 RELATING TO INNOVATION BUSINESS

To the Honorable Sylvia Luke, Chair; the Honorable Ty J.K. Cullen, Vice-Chair and the Members of the Committee on Judiciary:

Good afternoon. My name is Melodie Aduja. I serve as Chair of the Oahu County Committee ("OCC") Legislative Priorities Committee of the Democratic Party of Hawaii. Thank you for the opportunity to provide written testimony on House Bill No. 2556 HD1 relating to Hawaii Technology Development Corporation; Research and Development Program; and Research and Development Special Fund.

The OCC Legislative Priorities Committee is in favor of House Bill No. 2556 HD1 and supports its passage.

House Bill No.2556 HD1 is in alignment with the Platform of the Democratic Party of Hawai'i ("DPH"), 2016, as it establishes the research and development program in the Hawaii technology development corporation to help Hawaii-based small businesses collaborate with commercial partners to further refine and optimize research and development performed in Hawaii, establishes the research and development special fund and appropriates funds for the purposes of the research and development program.

The DPH Platform states that "[w]e recognize that the responsible use and development of technology in all its manifestations offers immense potential for our community, government, including institutions of higher education and business sectors. We encourage synergistic research, development, commercialization and educational programs to promote technological proficiency and innovation. In particular, we support Science, Technology, Engineering and Math (STEM) initiatives in our public, private and charter schools as these prepare the next generation to address the needs of our state. We also support programs that facilitate incubator, i.e. start-up, opportunities for new and promising technologies, and encourage the local retention of our intellectual resources. (Platform of the DPH, P. 3, Lines 149-156 (2016)).

Given that House Bill No. 2556 HD1 establishes the research and development program in the Hawaii technology development corporation to help Hawaii-based small businesses collaborate with commercial partners to further refine and optimize research and development performed in Hawaii, establishes the research and development special fund and appropriates funds for the purposes of the research and development program, it is the position of the OCC Legislative Priorities Committee to support this measure.

Thank you very much for your kind consideration.

Sincerely yours,

/s/**Melodie Aduja**

Melodie Aduja, Chair, OCC Legislative Priorities Committee

Email: legislativepriorities@gmail.com, Tel.: (808) 258-8889



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Finance
Friday, February 16, 2018 at 3:0 P.M.
Conference Room 308, State Capitol**

RE: HOUSE BILL 2556 HD1 RELATING TO INNOVATION BUSINESS

Chair Luke, Vice Chair Cullen, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 2556 HD1, which establishes the Research and Development Program in the Hawaii Technology Development Corporation (HTDC) to help Hawaii-based small businesses collaborate with commercial partners to further refine and optimize research and development performed in Hawaii. The bill also establishes the Research and Development Special Fund and appropriates funds for the purposes of the program.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ 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 continues to support the State's efforts to promote and foster innovation research and development in Hawaii. Innovation is a proven catalyst for economic growth and the creation of high-skilled and high-paying jobs. The Chamber supports this legislation provided that it offers adequate funding and does not adversely impact HTDC's priorities in the Executive Budget.

Thank you for the opportunity to testify.

HB-2556-HD-1

Submitted on: 2/14/2018 6:51:04 PM

Testimony for FIN on 2/16/2018 3:00:00 PM

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

Comments:

Dear Chair Luke and members of the FIN Committee:

Navatek **strongly supports** HB2556 HD1. There are many companies doing critical research and development in Hawaii and it is vital to Hawaii's future economic growth. The innovations that these companies are researching and developing bring in new dollars to our State's economy and create strong high-skilled, high-paying jobs - jobs for our kama'aina and to bring skilled kama'aina back home.

We urge you to pass this bill.

Thank you for the opportunity to testify.



Written Statement of
DR. PATRICK K. SULLIVAN
PRESIDENT/CEO OCEANIT

Before the

HOUSE COMMITTEE ON FINANCE

February 16, 2018

3:00 p.m.

State Capitol, Conference Room 308

In Support of

HB2556 RELATING TO INNOVATION BUSINESS

To: Chair Sylvia Luke, Vice Chair Ty J.K. Cullen and Members of the Committee

From: Dr. Patrick K. Sullivan, President/CEO

Re: Testimony in Support of HB2556

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony **in support of HB2556**

Oceanit is a local diversified science and engineering company with capabilities/facilities in advanced technology, life sciences, information systems, aerospace, energy, oil and gas and consulting engineering services.

In this twenty first century global economy, the creation and growth of technology companies is crucial for the State of Hawaii. It has been proven that through various federal funding sources, Hawaii companies have demonstrated the ability to develop “disruptive technologies” for the U.S. Department of Defense. However, the ability to take disruptive technologies to the next level or for commercialization and dual use, ie, tourism industry, agriculture industry, sports industry, finance industry, building and construction industry and other industries, has been a challenge.

HB2556 establishes a grant to accelerate commercialization which in turn will benefit the State from tax revenues, job creation and economic growth.

Therefore, we are in support of HB2556.

HB-2556-HD-1

Submitted on: 2/14/2018 1:52:45 PM

Testimony for FIN on 2/16/2018 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Randall Francisco	Individual	Support	No

Comments:

Kauai Film Commissioner and Small Business Coordinator

HB-2556-HD-1

Submitted on: 2/14/2018 6:40:07 PM

Testimony for FIN on 2/16/2018 3:00:00 PM

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

Comments:

HB-2556-HD-1

Submitted on: 2/14/2018 7:13:46 PM

Testimony for FIN on 2/16/2018 3:00:00 PM

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

Comments:

HB-2556-HD-1

Submitted on: 2/15/2018 6:20:52 AM

Testimony for FIN on 2/16/2018 3:00:00 PM

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

Comments:

I strongly support HB2556.

HB-2556-HD-1

Submitted on: 2/15/2018 7:44:16 AM

Testimony for FIN on 2/16/2018 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Leah Ablen	Individual	Support	No

Comments:

This bill supports the technology industry in Hawaii, which is sorely needed to diversify our economy, create high-paying jobs for our keiki, and reverse the brain drain. For these reasons I STRONGLY SUPPORT this bill.

HB-2556-HD-1

Submitted on: 2/15/2018 10:14:59 AM

Testimony for FIN on 2/16/2018 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Keslie Hui	Individual	Support	No

Comments:



Written Statement of
Robbie Melton
Executive Director & CEO
Hawaii Technology Development Corporation
before the
House Committee on Finance
Friday, February 16, 2018
3:00 p.m.
State Capitol, Conference Room 308

In consideration of
HB2556, HD1
RELATING TO INNOVATION BUSINESS

Chair Luke, Vice Chair Cullen, and Members of the Committee on Finance.

The Hawaii Technology Development Corporation (HTDC) **supports the intent** of HB2556, HD1 that establishes the research and development program in the Hawaii Technology Development Corporation to help Hawaii-based small businesses collaborate with commercial partners to further refine and optimize research and development performed in Hawaii.

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 growing the technology and innovation sector. Companies conducting R&D provide interesting, high wage jobs for our Hawaii workforce. Promoting R&D activities will spur innovation and job growth.

HTDC comments that HD1 clarifies that small businesses that claim the federal research and development tax credits are eligible to apply for grants.

HTDC defers to the Department regarding the establishment of a Special Fund.

We support this initiative as long as it does not replace our priorities requested in the Executive Budget. HTDC respectfully requests correction of the defective effective date. Thank you for the opportunity to offer these comments.

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Statement of
Duke Hartman, P.E.
Vice President, Business Development
Makai Ocean Engineering, Inc.
before the
COMMITTEE ON FINANCE
Friday, February 16, 2018
3:00 P.M.
State Capitol, Conference Room 308
In consideration of
HB 2075 HD1
RELATING TO ENERGY

Chair Luke, Vice Chair Cullen, and Members of the Committee on Finance

Makai Ocean Engineering, Inc. **STRONGLY SUPPORTS HB 2075 HD1** that re-establishes the Alternative Energy Research and Development Pilot Program, appropriates funds for the Program.

Makai is a locally-owned and operated technology company based in Hawai`i for over 44 years. One of the driving reasons behind Makai's existence is to help Hawai`i achieve energy independence using clean, alternative and renewable resources.

Hawai`i is blessed with abundant natural resources such as wind, solar, geothermal, hydro, biofuels, and ocean energy. While wind and especially solar contributions to the energy portfolio are now commercial and have grown significantly, other options like ocean energy have the potential to significantly contribute to the supply of base load / firm / constant renewable power, but are worryingly underrepresented. These alternative options are at the same place solar and wind was 20 years ago, and require R&D to reach the same level of maturity and commercialization.

Makai is currently performing R&D and working towards commercialization of ocean thermal energy conversion (OTEC) and at the Natural Energy Laboratory of Hawai`i Authority (NELHA) in Kailua-Kona. Makai employs eight highly-paid, highly-skilled engineers and scientists in the high tech / renewable energy field in rural Kailua-Kona. This program has achieved a huge milestone of connecting to the grid, making Hawai`i the home of the world's largest operational OTEC plant, and the clear leader in the emerging market of ocean thermal energy. Plans are in the works for new developments to move this technology even further.

Governor David Ige was present to dedicate the power plant and 'flip the switch,' and in his keynote address he said, "One big difference with OTEC is that it is a firm power source; it allows us to generate electricity consistently... and in the evening hours when other renewable sources are not available, which really is the key to a 100% renewable future."

With the help of programs like this bill, Makai has been able to secure additional competitively awarded federal funding from the U.S. Navy, and bring home national honors,



such as the Small Business Administration's Tibbetts Award. This national award recognizes the very best in small innovative companies in the country whose technologies have made a strong economic impact in terms of high paying jobs, and demonstrating success in actually commercializing federal R&D; activities which increase taxable revenue for the state.

This is why we **STRONGLY SUPPORT HB 2075 HD1**. Not only would this program develop alternative energy technology for our 100% renewable future, it would enable our tech industry to compete and win more federal monies for technology development and support high-paying, highly-skilled professional jobs for our keiki here at home.

Thank you for the opportunity to offer these comments.