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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY

TESTIMONY BY LAUREL A. JOHNSTON
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
HOUSE BILL NO. 2556, H.D. 1, S.D. 1

April 4, 2018
10:30 a.m.
Room 211

RELATING TO INNOVATION BUSINESS

House Bill No. 2556, H.D. 1, S.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, S.D. 1, it is difficult to determine whether the proposed special fund would be self-sustaining.

Technically, it should also be noted that House Bill No. 2556, H.D. 1, S.D. 1, contains no source of revenue for the proposed RD Special Fund.

Thank you for your consideration of our comments.



Written Statement of
Robbie Melton
Executive Director & CEO
Hawaii Technology Development Corporation
before the
Senate Committee on Ways and Means
Wednesday, April 4, 2018
10:30 a.m.
State Capitol, Conference Room 211

In consideration of
HB2556, HD1, SD1
RELATING TO INNOVATION BUSINESS

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee on Ways and Means,

The Hawaii Technology Development Corporation (HTDC) **supports the intent** of HB2556, HD1, SD1 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 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.



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

Before the

SENATE COMMITTEE ON WAYS AND MEANS

April 4, 2018

10:30 a.m.

State Capitol, Conference Room 211

In Support of

HB2556 RELATING TO INNOVATION BUSINESS

To: Senator Donovan Dela Cruz, Chair, Senator Gilbert S.C. Keith-Agaran, Vice Chair 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.



**Testimony to the Senate Committee on Ways and Means
Wednesday, April 4, 2018 at 10:30 A.M.
Conference Room 211, State Capitol**

RE: HOUSE BILL 2556 HD1 SD1 RELATING TO INNOVATION BUSINESS

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 2556 HD1 SD1, 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-SD-1

Submitted on: 3/30/2018 1:08:53 PM

Testimony for WAM on 4/4/2018 10:30:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|------------------------|---------------------------|---------------------------|
| ann chung | Testifying for Navatek | Support | Yes |

Comments:

Dear Chair Dela Cruz and members of the WAM Committee:

Navatek strongly supports HB2556 HD1 SD1. 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.

Mahalo for this opportunity to testify.

HB-2556-SD-1

Submitted on: 4/2/2018 10:47:03 PM

Testimony for WAM on 4/4/2018 10:30:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------|---|--------------------|--------------------|
| Melodie Aduja | Testifying for Oahu County Committee on Legislative Priorities of the Democratic Party of Hawai'i | Support | No |

Comments:

To the Honorable Donovan M. Dela Cruz, Chair; the Honorable Gilbert S.C. Keith-Agaran, Vice-Chair and Members of the Committee on Ways and Means:

Good morning. 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 **HB2556 HD1 SD1**, regarding the Hawaii Technology Development Corporation; Research and Development Program; Research and Development Special Fund; and an appropriation.

The OCC Legislative Priorities Committee is in favor of **HB2556 HD1 SD1** and support its passage.

HB2556 HD1 SD1 is in accord 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, effective 7/1/2112.

Specifically, the DPH Platform provides 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 education 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 **HB2556 HD1 SD1** 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, effective 7/1/2112, 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

HB-2556-SD-1

Submitted on: 3/30/2018 1:19:39 PM

Testimony for WAM on 4/4/2018 10:30:00 AM

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

Comments:

HB-2556-SD-1

Submitted on: 3/30/2018 1:29:07 PM

Testimony for WAM on 4/4/2018 10:30:00 AM

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

Comments:

I strongly support HB2556 HD1 SD1.

HB-2556-SD-1

Submitted on: 3/30/2018 3:49:34 PM

Testimony for WAM on 4/4/2018 10:30:00 AM

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

Comments:

HB-2556-SD-1

Submitted on: 4/1/2018 8:44:07 AM

Testimony for WAM on 4/4/2018 10:30:00 AM

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

Comments:

I strongly support HB2556.