



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
LUIS P. SALAVERIA
Director
Department of Business, Economic Development and Tourism
before the
**SENATE COMMITTEES ON ECONOMIC DEVELOPMENT, TOURISM, AND
TECHNOLOGY AND
PUBLIC SAFETY, INTERGOVERNMENTAL, AND MILITARY AFFAIRS
AND GOVERNMENT OPERATIONS**

Wednesday, January 31, 2018

1:15 p.m.

State Capitol, Conference Room 414

in consideration of

SB 2702

RELATING TO DEVELOPMENT OF THE AEROSPACE INDUSTRY.

Chairs Wakai, Nishihara, and Kim, Vice Chairs Taniguchi and Ruderman, and Members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) appreciates the intent of this bill, but respectfully offers comments and concerns.

This measure would create a single Aerospace Development Corporation for the State of Hawaii, while repealing current programs. This would be a significant step backwards for PISCES, the Challenger Center, the Unmanned Aerial Systems Test Site project and the efforts to develop a spaceport and an equatorial launch site for small satellites on Hawaii Island.

Currently, there are two bills (HB 2324 & SB 2751) which remove PISCES from under the Office of Aerospace Development (OAD) and attach it to DBEDT as an independent attached agency. These bills intend to create a more independent PISCES and highlight it as an Agency under DBEDT which will significantly benefit the way in which it operates.

PISCES does need adequate funding for core operations to allow the staff to pursue additional grant funding for specific applied research projects that can lead to

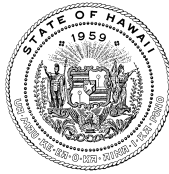
commercialization after PISCES carries out the proof of concept work. Over the past 4 years, PISCES has been creating a name brand that is now recognized in the Aerospace Industry and that is associated with the State of Hawaii. This recognition has allowed it to procure supplemental funds in the form of several Research Grants. Dissolving PISCES and forming a new agency would set these efforts back significantly.

DBEDT is concerned about where the new agency would be located. The PISCES program is located in Hilo in order to work with the University of Hawaii Hilo and on Mauna Kea and Mauna Loa. It does not have the staff capacity or funds to administer the other programs under the Office of Aerospace Development (OAD). OAD shares offices with DBEDT in Honolulu and receives significant administrative support from DBEDT, made possible by collocation.

A unified Aerospace Agency is a project of such magnitude that it requires planning and additional funding in order to succeed. The Hawaii Aerospace Advisory Committee and the PISCES Board of Directors are excellent resources that should be consulted with regards to the creation of such agency.

Thank you for this opportunity to offer comments.

DAVID Y. IGE
GOVERNOR



LAUREL A. JOHNSTON
ACTING DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

**STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE**

P.O. BOX 150
HONOLULU, HAWAII 96810-0150

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
ACTING DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEES ON ECONOMIC DEVELOPMENT, TOURISM, AND
TECHNOLOGY; PUBLIC SAFETY, INTERGOVERNMENTAL, AND MILITARY
AFFAIRS; AND GOVERNMENT OPERATIONS
ON
SENATE BILL NO. 2702

**January 31, 2018
1:15 p.m.
Room 414**

RELATING TO DEVELOPMENT OF THE AEROSPACE INDUSTRY

Senate Bill No. 2702 establishes the Hawaii Aerospace Development Corporation (HADC) to grow investments and job opportunities in the aerospace industry and for workforce development; transfers all rights, powers, functions, and duties of the Office of Aerospace Development (OAD) and Pacific International Space Center for Exploration Systems (PISCES) to the HADC; repeals the OAD and PISCES; and establishes the HADC Special Fund with a cap of \$3,000,000 at the end of any fiscal year.

While the Department of Budget and Finance supports efforts to grow investments and provide job opportunities, 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 Senate Bill No. 2702, it is difficult to determine whether the proposed special fund would be self-sustaining.

We also defer to the Department of Business, Economic Development and Tourism on the impacts to its budget and operations with the creation of the HADC.

Thank you for your consideration of our comments.

DAVID Y. IGE
GOVERNOR

SHAN S. TSUTSUI
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA
DIRECTOR

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

**STATE OF HAWAII
DEPARTMENT OF TAXATION**

830 PUNCHBOWL STREET, ROOM 221

HONOLULU, HAWAII 96813

<http://tax.hawaii.gov/>

Phone: (808) 587-1577 / Fax: (808) 587-1584

To: The Honorable Glenn Wakai, Chair
and Members of the Senate Committee on Economic Development, Tourism and
Technology

The Honorable Clarence Nishihara, Chair
and Members of the Senate Committee on Public Safety, Intergovernmental
Military Affairs

The Honorable Donna Mercado Kim, Chair
and Members of the Senate Committee on Government Operations

Date: January 31, 2018
Time: 1:15 P.M.
Place: Conference Room 414, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: S.B. 2702, Relating to Development of the Aerospace Industry.

The Department of Taxation (Department) appreciates the intent of S.B. 2702 and offers the following comments for your consideration.

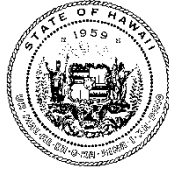
S.B. 2702 establishes the Hawaii Aerospace Development Corporation (HADC). It also transfers the rights, powers, functions, and duties of the Office of Aerospace Development (OAD) and the Pacific International Space Center for Exploration Systems (PISCES) to the HADC, and subsequently repeals both OAD and PISCES. The measure is effective July 1, 2018.

This measure has two main state tax implications. First, it exempts special purpose revenue bonds issued by the HADC from state and local taxes. Second, it exempts HADC from state and county taxation, and clarifies that the interest of individuals and entities who enter into project agreements with HADC under the provisions of the measure will not be exempt from taxation to a greater extent than they would have been if they had directly financed the cost of the project without HADC.

The Department defers to the Hawaii Office of Aerospace Development regarding the substance of the bill and notes that it is able administer the tax provisions of this measure with its current effective date.

Thank you for the opportunity to provide comments.

DAVID Y. IGE
GOVERNOR



SARAH ALLEN
ADMINISTRATOR
MARA SMITH
ASSISTANT ADMINISTRATOR

**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

P.O. Box 119
Honolulu, Hawaii 96810-0119
Tel: (808) 586-0554
email: state.procurement.office@hawaii.gov
<http://spo.hawaii.gov>
Twitter: [@hawaiispo](https://twitter.com/hawaiispo)

TESTIMONY
OF
SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE
TO THE SENATE COMMITTEES
ON
ECONOMIC DEVELOPMENT, TOURISM, AND TECHNOLOGY,
PUBLIC SAFETY, INTERGOVERNMENTAL, AND MILITARY AFFAIRS,
AND
GOVERNMENT OPERATIONS
January 31, 2018 1:15 p.m.

SENATE BILL 2702
RELATING TO DEVELOPMENT OF THE AEROSPACE INDUSTRY

Chairs Wakai, Nishihara, and Kim and Vice-Chairs Taniguchi, and Ruderman, and members of the committees, thank you for the opportunity to submit testimony on Senate Bill 2702. The State Procurement Office (SPO) opposes the exemption language on page 58, SECTION 2, lines 11 to 15 set forth below.

(b) The development corporation shall not be subject to any requirement of law for competitive bidding for project agreements, construction contracts, lease and sublease agreements, or other contracts unless a project agreement with respect to a project or industrial park shall so require.

The above bill language states that the developmental corporation shall not be subject to the Procurement Code (Code) for soliciting competitive sealed bids. 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 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. Moreover, a public body often can no longer achieve the benefits of aggregation by using another public body's contract because different state laws and regulations may apply to the various public bodies making compliance more difficult.

Each year new procurement laws are applied to state agencies causing state agency contracts to become more complex and costly, while other public bodies, such as agencies with strong legislative influence, are exempted. Relieving some public bodies 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.

OFFICE OF INFORMATION PRACTICES

STATE OF HAWAII
NO. 1 CAPITOL DISTRICT BUILDING
250 SOUTH HOTEL STREET, SUITE 107
HONOLULU, HAWAII 96813
TELEPHONE: 808-586-1400 FAX: 808-586-1412
EMAIL: oip@hawaii.gov

To: Senate Committees on Economic Development, Tourism, and Technology,
on Public Safety, Intergovernmental, and Military Affairs, and on
Government Operations

From: Cheryl Kakazu Park, Director

Date: January 31, 2018, 1:15 p.m.
State Capitol, Conference Room 414

Re: Testimony on S.B. No. 2702
Relating to Development of the Aerospace Industry

Thank you for the opportunity to submit testimony on this bill, which would establish a Hawaii Aerospace Development Corporation. The Office of Information Practices (“OIP”) takes no position on the substance of the bill, but has concerns about a broadly written confidentiality provision and closed meeting purpose in proposed section 201-Z, at bill pages 60-62. **OIP is offering an amendment based on language that the Legislature used last year** to create an Innovation and Commercialization Initiative Program within the University of Hawaii.

The Uniform Information Practices Act (UIPA) already protects trade secrets under its exceptions for information whose disclosure would frustrate a legitimate government function and confidential business information whose disclosure would give an unfair advantage to a business competitor. Therefore, a special confidentiality provision is not needed to avoid requiring users to reveal

Senate Committees on Committees on Economic Development, Tourism,
and Technology, on Public Safety, Intergovernmental, and Military Affairs,
and on Government Operations

January 31, 2018

Page 2 of 3

their confidential finances, trade secrets, or other information that could provide a competitor with an unfair advantage.

Regarding the executive session provision, it, like the confidentiality provision, does not make clear whether “trade secrets or commercial or financial information” is limited to information that could be withheld under the UIPA, and does not reference the Sunshine Law, part I of chapter 92, which already sets requirements for keeping minutes of all meetings and limits discussions in an executive session to those directly related to its purpose.

To protect trade secrets and confidential commercial or financial information in a way consistent with the UIPA and the Sunshine Law, OIP recommend that these Committees take as a model the confidentiality and executive session purpose language from Act 39 of the 2017 Regular Session, which created an Innovation and Commercialization Initiative Program within the University of Hawaii. **OIP suggests replacing the current text of proposed section 201-Z with the following language:**

Any documents or data made or received by the development corporation under this part, to the extent that the material or data consist of trade secrets or confidential commercial or financial information that may be withheld from public disclosure under chapter 92F, shall not be publicly disclosed; provided that if the development corporation purchases a qualified security, the non-confidential commercial and financial information regarding that security shall be a public record of the development corporation. The board, or any

Senate Committees on Committees on Economic Development, Tourism,
and Technology, on Public Safety, Intergovernmental, and Military Affairs,
and on Government Operations

January 31, 2018

Page 3 of 3

**subcommittee of the board, may hold an executive session as
provided in section 92-4 to discuss trade secrets or confidential
commercial or financial information that may be withheld
under chapter 92F.**

Thank you for the opportunity to testify.

SB-2702

Submitted on: 1/26/2018 4:55:38 PM

Testimony for ETT on 1/31/2018 1:15:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Zack Fleishman	Shark Wheel	Oppose	No

Comments:

Hi, we would like more thought being given to the bill. PISCES has been a company that is world renown for providing professional scientific studies for NASA and other government organizations. PISCES remains under-funded and while we are not against a merger in the future, more attention needs to be given to merge the two companies in a way that is more beneficial for the two companies and in a way that allows both companies to contribute meaningfully to the merger. We do not believe both companies have been granted the necessary input to make this bill passable. The intent is good, but the execution is not.

SB-2702

Submitted on: 1/27/2018 2:59:38 PM

Testimony for ETT on 1/31/2018 1:15:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
G. Jeffrey Taylor		Comments	No

Comments:

The idea of creating a single office for aerospace development sounds logical and very positive, but I worry that the stake holders (the existing PISCES board and the local aerospace community) were not involved in writing the bill. A larger organization might be a less efficient use of funds than smaller ones. The biggest problem that PISCES has had is too little funding. It needs a solid base of support to enable its imaginative staff to raise additional funding. For example, I am working with PISCES on a proposal to NASA to develop techniques to extract water from permanently-shadowed regions near the lunar poles. If funded, it would raise \$250-500 k/year for two or three years (budget not final yet). My point is that a solid financial foundation will allow PISCES to build a significant R&D infrastructure to benefit local industry. I suggest thinking about funding the operation first, then how to merge PISCES with the Office of Aerospace Development.



P.O. Box 37158, Honolulu, Hawai'i 96837-0158
Phone: 927-0709 henry.lifeoftheland@gmail.com

COMMITTEE ON ECONOMIC DEVELOPMENT, TOURISM, AND TECHNOLOGY

Senator Glenn Wakai, Chair
Senator Brian T. Taniguchi, Vice Chair

COMMITTEE ON PUBLIC SAFETY, INTERGOVERNMENTAL, AND MILITARY AFFAIRS

Senator Clarence K. Nishihara, Chair
Senator Glenn Wakai, Vice Chair

COMMITTEE ON GOVERNMENT OPERATIONS

Senator Donna Mercado Kim, Chair
Senator Russell E. Ruderman, Vice Chair

Wednesday, January 31, 2018

1:15 p.m.

Conference Room 414

SB 2702 Relating to Development of the Aerospace Industry. **Amendment**

Aloha Chairs Wakai, Nishihara and Kim, and Members of the Committees,

Life of the Land is Hawai'i's own energy, environmental and community action group advocating for the people and `aina for 47 years. Our mission is to preserve and protect the life of the land through sound energy and land use policies and to promote open government through research, education, advocacy and, when necessary, litigation.

To support Hawai'i positions on climate change, green economic jobs, the State Constitution on the right to a clean environment, and the Aloha Spirit, the bill needs to be amended.

The development corporation shall submit a semi-annual report to the legislature that includes the following data related to the economic and greenhouse impact due to the aerospace industry ... and (5) Life cycle greenhouse gas emissions and offsetting carbon sequestrations for all existing and planned projects.

Mahalo, Henry Curtis, Executive Director

SB-2702

Submitted on: 1/28/2018 9:03:47 PM

Testimony for ETT on 1/31/2018 1:15:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Cory Harden		Oppose	No

Comments:

Aloha legislators,

Yikes--kinda looks like a Public Land Development Corporation for aerospace.

Also, probably only rural areas will have room for spaceports. But I have concerns about transporting rocket fuel and spacecraft on rural roads, and drastically changing the character of rural areas with large industrial facilities and noise.

mahalo,

Cory Harden, Hilo

SB-2702

Submitted on: 1/29/2018 9:50:51 AM

Testimony for ETT on 1/31/2018 1:15:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Douglas Bath	ProVision Solar, Inc.	Oppose	No

Comments:

SB2702 is well meaning, however, it is not well crafted and may result in a step back for our existing aerospace programs. Please consider a new bill maintaining PISCES in it's current state WITH PERMANENT FUNDING!

Aloha,

Douglas Bath

From: [Malhabour, Patricia](#)
To: [ETT Testimony](#)
Subject: Testimony for Bill SB2702
Date: Tuesday, January 30, 2018 9:57:21 AM

To whom it may concern,

This is my testimony for SB2702 Bill, since I was unable to submit it through the website:

The name, PISCES, has created a positive impact and reputation in the aerospace industry because it has done much to develop Hawaii's aerospace and technology enterprises and has helped prepare its future generations to excel in competitive industries. Losing the name would hurt the identity of the agency and the State, and Hawaii is better off keeping PISCES while more thought is given to the new agency. Thank you.

Sincerely,

Patty Malhabour

SMA Proprietary Information. The information in this transmittal (including attachments, if any) is privileged and confidential and is intended only for the recipient(s) listed above. Any review, use, disclosure, distribution or copying of this transmittal is prohibited except by or on behalf of the intended recipient. If you have received this transmittal in error, please notify me immediately by reply email and destroy all copies of the transmittal.

SB-2702

Submitted on: 1/29/2018 1:03:56 PM

Testimony for ETT on 1/31/2018 1:15:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Keegan Kirkpatrick	RedWorks Construction Technologies Inc	Comments	No

Comments:

To the distinguished members of the State Senate;

Our company has had the good fortune to work with the amazing team at the Pacific International Space Center for Exploration Systmes (PISCES) for over two years, and we can say without hyperbole that they have left a lasting reputation in the industry for excellence in research and discovery that not only impacts the future of the development of space, but brings value to terrestrial markets. To dissolve PISCES would hurt the identity of the agency you seek to create and the State of Hawaii. It is not without merit to suggest that Hawaii is better off keeping PISCES as an independent organization within whatever new entity shall ultimately emerge from this important debate.

We are overjoyed to see Hawaii being so proactive in encouraging the Aerospace Industry's development, but PISCES is more than just another Aerospace research agency, it is one of the only groups conducting research into bringing revolutionary technologies conceived to be used in space back to Earth, with far reaching benefits to Hawaii's economy and the global construction industry. PISCES is too important to be dissolved for administrative convenience, its mission too unique to a wide range of industries to be lost for the benefit of just one industry.

At RedWorks Constructoin Technologies Inc. we've sought to work with PISCES to help find commercial applications for technologies developed in space, and it is our hope to continue the great work we've started in the years to come. However you choose to proceed, please let PISCES remain the great instituion its team have worked so hard to build.

Sincerely;

Keegan Kirkpatrick
CEO, RedWorks Construction Technologies Inc.
Lancaster, CA



Statement of
Rodrigo Romo
Program Director
Pacific International Space Center for Explorations Systems (PISCES),
Before the
Senate Committee on Economic Development, Tourism and Technology
Wednesday, January 31, 2018 , 1:15 pm
State Capitol, Conference Room 414

In consideration of
SB2702
RELATING TO DEVELOPMENT OF THE AEROSPACE INDUSTRY

Chair Wakai, Vice Chair Taniguchi and members of the Committee.

Aloha Kakou:

I want to express my personal appreciation for your support of the aerospace industry in Hawaii and offer comments related to SB 2702.

I understand, and appreciate the intent of this bill to create a single Aerospace Development Corporation for the State of Hawai'i, however, I have some concerns which I would like to bring to this committee's attention. Currently there are two bills (HB 2324 & SB 2751) which remove PISCES from within the Office of Aerospace Development (OAD) and attached it to DBEDT as an independent attached agency. These bills intend to create a more independent PISCES and highlight it as an Agency under DBEDT which will significantly benefit the way in which we operate.

PISCES needs adequate funding for core operations to allow the staff to pursue additional grant funding for specific applied research projects that can lead to commercialization after PISCES carries out the proof of concept work. Over the past 4 years, PISCES has been creating a name brand that is now recognized in the Aerospace Industry and that is associated with the State of Hawai'i. This recognition has allowed us to procure supplemental funds in the form of several Research Grants. We currently have other proposals for grants being submitted. Dissolving PISCES and forming a new agency would set us back significantly.

I am also concerned about who would direct the new agency and where it would be located? PISCES' staff resides in Hilo.

I support the idea of a unified Aerospace Agency, however, I believe a project of this magnitude deserves proper planning and funding in order to succeed. I believe that the PISCES Board of Directors is an excellent resource that should be consulted with regards of the creation of such agency.

Thank you for this opportunity to offer comments.

Rodrigo Romo
Program Director
PISCES
99 Aupuni St. Ste 212-213
Hilo, HI 96720



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

Before the
**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TOURISM &
TECHNOLOGY**
Wednesday, January 31, 2018
1:15 p.m.
State Capitol, Conference Room 414
In Consideration of
SB2702 RELATING TO DEVELOPMENT OF THE AEROSPACE INDUSTRY

To: Chair Glenn Wakai, Vice Chair Brian T. Taniguchi and Members of the Committee

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

Honorable Chair, Vice-Chair and Committee Members:

I am a Board Member for PISCES, I want to submit my comments to SB2702. This bill will create a single Aerospace Development Corporation for the State of Hawaii; however there are two other bills (HB2324 and SB2751) which will remove PISCES from within the Office of Aerospace Development (OAD) and attach it DBEDT as an independent attached agency. These bills intend to create a more independent PISCES and highlight it as an Agency under DBEDT, which benefit PISCES in the way they operate.

PISCES requires funding for core operations to allow the staff to pursue additional grant funding for specific applied research projects that can lead to commercialization. Over the past 4 years, PISCES has been creating a name brand that is now recognized in the Aerospace industry and associated with the State of Hawaii. This recognition has allowed PISCES to procure supplemental funds in the form of several Research Grants. There are other proposals for grants being submitted. Dissolving PISCES and forming a new agency would set us back significantly.

Creating a unified Aerospace Agency will require lots planning and funding in order to succeed.