

DAVID Y. IGE
GOVERNOR



LAUREL A. JOHNSTON
DIRECTOR

KEN N. KITAMURA
ACTING DEPUTY 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
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 3000, S.D. 2, H.D. 1

**April 4, 2018
1:30 p.m.
Room 308**

RELATING TO INNOVATION BUSINESS

Senate Bill No. 3000, S.D. 2, H.D. 1: establishes the Research and Development (RD) Program in the Hawaii Technology Development Corporation to help Hawai'i-based small businesses 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 Senate Bill No. 3000, S.D. 2, 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 Senate Bill No. 3000, S.D. 2, H.D. 1, contains no source of revenue for the proposed RD Special Fund.

Thank you for your consideration of our comments.



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the Senate Committee on Finance
Wednesday, April 4, 2018 at 1:30 P.M.
Conference Room 308, State Capitol**

RE: SENATE BILL 3000 SD2 HD1 RELATING TO INNOVATION BUSINESS

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

The Chamber of Commerce Hawaii ("The Chamber") **supports** SB 3000 SD2 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.



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Executive Officers

Beau Oshiro, C&S Wholesale Grocers, *Chair*
John Erickson, Meadow Gold Dairies, *Immediate Past Chair*
Toby Taniguchi, KTA Superstores, *Vice Chair*
Lauren Zirbel, HFIA, *Executive Director*
Joe Carter, Coca-Cola Bottling of Hawaii, *Secretary / Treasurer*
Stan Brown, Acosta Sales & Marketing, *Advisor*
Paul Kosasa, ABC Stores, *Advisor*
John Shilf, Rainbow Sales & Marketing, *Advisor*
Barry Taniguchi, KTA Superstores, *Advisor*
Derek Kurisu, KTA Superstores, *Advisor*

TO:
Committee on Finance
Rep. Sylvia Luke, Chair
Rep. Ty J. K. Cullen, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: Wednesday, April 4, 2018
TIME: 1:30pm
PLACE: Conference Room 308

RE: SB 3000 Relating to Innovation Business

Position: Support

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, and distributors of food and beverage related products in the State of Hawaii.

Establishing the Research and Development Program of the Hawaii Technology Development Corporation (HTDC) will help Hawaii small business take advantage of their future potential. Research and development are crucial for business growth and supporting a dynamic small business sector is an important part of creating a strong diversified economy for our state. We ask that this measure be passed and we thank you for the opportunity to testify.

SB-3000-HD-1

Submitted on: 4/3/2018 11:31:17 AM

Testimony for FIN on 4/4/2018 1:30:00 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 SB3000 SD2 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.

Mahalo for this opportunity to testify.



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

Before the

HOUSE COMMITTEE ON FINANCE

April 4, 2018

1:30 p.m.

State Capitol, Conference Room 308

In Support of

SB3000 RELATING TO INNOVATION BUSINESS

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

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

Re: Testimony in Support of SB3000

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony **in support of SB3000**

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.

SB3000 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 SB3000.



Statement of
Duke Hartman, P.E.
Vice President, Business Development
Makai Ocean Engineering, Inc.
before the
COMMITTEE ON FINANCE
Wednesday, April 4, 2018
1:30 p.m.
State Capitol, Conference Room 308
In consideration of
SB3000 SD2 HD1
RELATING TO INNOVATION BUSINESS

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

Makai Ocean Engineering, Inc. **STRONGLY SUPPORTS SB3000 SD2 HD1** that establishes the research and development program in the Hawaii technology development corporation.

Makai is a locally-owned and operated technology company based in Hawai'i for over 44 years. We are currently performing R&D on a variety of exciting ocean technology projects, including autonomous underwater vehicles, ocean thermal energy conversion (OTEC) and seawater air conditioning (SWAC) systems, submarine and subsea cable systems, and a Department of Energy project to grow and harvest macroalgae (limu) offshore in Hawaiian waters to produce a renewable biofuel alternative for transportation.

Makai has been successful in bringing in tens of millions of dollars in R&D funds from federal and international sponsors to Hawai'i, helping to stem the tide of "brain drain" of talented kama'aina kids going to the mainland. On a personal note, I am a Kahuku High School and University of Hawaii College of Engineering graduate who was ready to leave Hawaii for an engineering job on the mainland before Makai offered me a job. And Makai is not unique among Hawaii technology companies in their success. There is a tech community here that has made a strong economic impact in terms of high paying jobs, and demonstrated success in commercializing federal R&D, which has increased taxable revenue for the state, and brought home kama'aina scientists and engineers to stay.

This bill would enhance the ability of Hawaii companies like Makai to outshine mainland peers in competitive federal R&D projects, bring home R&D dollars that greatly exceed the initial investment, and create a critical mass and a truly vibrant industry of innovative R&D companies in Hawaii. It would expand and diversify Hawaii's economy, and enable our tech industry to support high-paying, highly-skilled professional jobs for our keiki here at home.

This is why we **STRONGLY SUPPORTS SB3000 SD2 HD1**. Thank you for the opportunity to offer these comments.

SB-3000-HD-1

Submitted on: 4/3/2018 12:56:54 PM

Testimony for FIN on 4/4/2018 1:30:00 PM

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

Comments:

SB-3000-HD-1

Submitted on: 4/3/2018 10:09:21 AM

Testimony for FIN on 4/4/2018 1:30:00 PM

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

Comments:

SB-3000-HD-1

Submitted on: 4/3/2018 10:44:31 AM

Testimony for FIN on 4/4/2018 1:30:00 PM

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

Comments:

SB-3000-HD-1

Submitted on: 4/3/2018 10:50:09 AM

Testimony for FIN on 4/4/2018 1:30:00 PM

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

Comments:

I strongly support SB3000.

SB-3000-HD-1

Submitted on: 4/3/2018 10:47:26 AM

Testimony for FIN on 4/4/2018 1:30:00 PM

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

Comments:



Written Statement of
Robbie Melton
Executive Director & CEO
Hawaii Technology Development Corporation
before the
House Committee on Finance
Wednesday, April 4, 2018
1:30 p.m.
State Capitol, Conference Room 308



In consideration of
SB3000, SD2, 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** SB3000, SD2, 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 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. Thank you for the opportunity to offer these comments.



Written Statement of
Robbie Melton
Executive Director & CEO
Hawaii Technology Development Corporation
before the
House Committee on Finance
Wednesday, April 4, 2018
1:30 p.m.
State Capitol, Conference Room 308

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In consideration of
SB3000, SD2, HD1
RELATING TO INNOVATION BUSINESS

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

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