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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**

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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
ACTING DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TOURISM, AND
TECHNOLOGY
ON
SENATE BILL NO. 3000**

**February 9, 2018
1:15 p.m.
Room 414**

RELATING TO INNOVATION BUSINESS

Senate Bill No. 3000 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 Senate Bill No. 3000, 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 contains no source of revenue for the proposed RD Special Fund.

Thank you for your consideration of our comments.

SB-3000

Submitted on: 2/6/2018 2:53:33 PM

Testimony for ETT on 2/9/2018 1:15:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Randall Francisco	County of Kauai	Support	No

Comments:

SB-3000

Submitted on: 2/6/2018 1:04:06 PM

Testimony for ETT on 2/9/2018 1:15:00 PM

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

Comments:

SB-3000

Submitted on: 2/6/2018 1:46:36 PM

Testimony for ETT on 2/9/2018 1:15:00 PM

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

Comments:

I strongly support this bill.

SB-3000

Submitted on: 2/6/2018 3:18:47 PM

Testimony for ETT on 2/9/2018 1:15:00 PM

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

Comments:

Dear Chair Wakai and members of the Committee:

Navatek strongly supports HB2556. 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 and suggest the following additions to further clarify and ease the administration of the program by HTDC:

- Page 3, Line 20 --- add "small" to a Hawaii-based small business

-Page 4,Line 1 --- add after corporation. "Proof shall be in the form of copies of the small business Federal Form 6765 credit for Increasing Research Activities as filed.

-Page 4, Line 2 --- then receive "a grant in " an amount

-Page 4, Line 3 --- replace past with "prior". and add this definition:

A Hawaii-based small business is defined as

-80% or more Hawaii resident owned. For purposes of this paragraph, "resident" shall have the same meaning as defined in Section 235-1, HRS.

-Have been doing business in the state for not less than 10 years

-Have Hawaii-based employees, subject to the taxes imposed under HRS 235.

Mahalo for this opportunity to testify.

SB-3000

Submitted on: 2/6/2018 4:34:17 PM

Testimony for ETT on 2/9/2018 1:15:00 PM

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

Comments:

I strongly support this bill

SB-3000

Submitted on: 2/6/2018 4:40:32 PM

Testimony for ETT on 2/9/2018 1:15:00 PM

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

Comments:



Written Statement of
Robbie Melton
Executive Director & CEO
Hawaii Technology Development Corporation
before the
Senate Committee on Economic Development, Tourism, and Technology
Friday, February 9, 2018
1:15 p.m.
State Capitol, Conference Room 414

In consideration of
SB3000
RELATING TO INNOVATION BUSINESS

Chair Wakai, Vice Chair Taniguchi, and Members of the Committee on Economic Development, Tourism & Technology.

The Hawaii Technology Development Corporation (HTDC) **supports the intent of SB3000** 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 the bill offers grants equal to the average federal Research and Development tax credit to companies. Tax credits are typically yes/no eligibility and not typically administered by HTDC.

HTDC administers several grant programs. HTDC grant programs typically consider the potential economic impact before making awards. The program makes awards to the projects that are deemed most beneficial to the State. HTDC comments that the proposed program should have an application process that considers which projects are most advantageous to the State. The bill should clarify that "The business shall be eligible to receive an amount equal to the average of the federal tax credit for the past three tax years".

HTDC comments that other HTDC grant programs have a matching requirement to ensure leverage for the State and co-investment by the company. HTDC comments that this measure should be coordinated with SB3005/HB2599 to avoid duplication. Thank you for the opportunity to offer these comments.

SB-3000

Submitted on: 2/7/2018 3:26:00 PM

Testimony for ETT on 2/9/2018 1:15:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Jose Andres	Makai Ocean ENgineering	Support	No

Comments:

Our company strongly supports this bill



Statement of
Duke Hartman, P.E.
Vice President, Business Development
Makai Ocean Engineering, Inc.
before the
COMMITTEE ON ECONOMIC DEVELOPMENT, TOURISM, AND TECHNOLOGY
Friday, February 9th, 2018,
1:15pm
State Capitol, Conference Room 414
In consideration of
SB3000
RELATING TO INNOVATION BUSINESS

Chair Wakai, Vice Chair Taniguchi, and members of the Committee on Economic Development, Tourism, and Technology

Makai Ocean Engineering, Inc. **STRONGLY SUPPORTS SB3000** 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 this. 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**. Thank you for the opportunity to offer these comments.



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the Senate Committee on Economic Development,
Tourism & Technology
Friday, February 9, 2018 at 1:15 P.M.
Conference Room 414, State Capitol**

RE: SENATE BILL 3000 RELATING TO INNOVATION BUSINESS

Chair Wakai, Vice Chair Taniguchi, and Members of the Committee:

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

SB-3000

Submitted on: 2/8/2018 1:14:29 PM

Testimony for ETT on 2/9/2018 1:15:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	OCC Legislative Priorities	Support	No

Comments: