



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
**SB48, SD3, HD2 PROPOSED
RELATING TO TECHNOLOGY**

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

The Hawaii Technology Development Corporation (HTDC) offers **comments with strong concerns** on SB48, SD3, HD2 proposed that creates a Hawaii Innovation and Technology Research Corporation to grow Hawaii's innovation and technology industry to be placed under the Department of Business, Economic Development, and Tourism (DBEDT) for administrative purposes and repeals the HTDC and the Hawaii Strategic Development Corporation.

As part of HTDC's vision to create 80,000 new innovation jobs in Hawaii earning \$80,000 or more by 2030, HTDC works closely with DBEDT, HSDC and University of Hawaii on initiatives aimed at promoting technology and innovation jobs.

In the 2017 HTDC economic impact survey, 149 companies participating in HTDC programs reported 3,736 jobs in Hawaii, \$589 million in total revenue generating \$1 billion in total economic impact. HTDC feels that our programs provide benefit and good economic development value to the state.

HTDC has the following concerns with this measure:

- **If the HTDC statute were repealed, the state would lose the 5 year \$2,500,000 federal funding** cooperative agreement for the National Institute of Standards and Technology (NIST) Manufacturing Extension Partnership program. The \$500k annual federal funding and the **4 federally funded positions would be lost and employees would have to be terminated on June 30, 2018**. NIST does not allow the program to be transferred between hosting agencies.
- Part VI eliminates the HTDC special fund ceiling which is required to operate the Maui Research and Technology Center and to accept sponsorships to cover the costs of the events that we run. These programs would end on June 30, 2018.

- The progress made in recent years and the existing programs that benefit the business community would be lost. A new agency would mean starting over with new leadership, direction, and programs
- It is not clear if existing employees would fit the requirements of a new agency. **Twenty two employees could lose their positions.** The uncertainty will likely result in loss of experienced staff.

HTDC is very concerned that the following programs which the state legislature enacted in the past few years would be lost.

- Working other agencies with tech park development projects in Hilo Mililani, and West Oahu which will be disrupted and millions of dollars already invested will be lost.
- Supporting innovative companies in Kauai and Hawaii island through the Neighbor Island Initiative. The companies generated \$50 million in total economic impact in 2017
- The Hawaii SBIR matching grant programs generated \$117 million in total economic impact in 2017
- The Manufacturing Assistance Grant Program generated \$876 million in total economic impact in 2017
- Providing grant funding for the business accelerator programs: such as Blue Startups, XLR8UH, GVS Accelerator, and Mana Up.
- Developing, operating, and maintaining the Entrepreneur Sandbox in Kakaako which will be breaking ground this month

Part VI, Section 21 and 22 appropriates general funds for HTDC to replace the lost land lease at the Manoa Innovation Center. HTDC supports the intent, however, prefers the Governors Message, GM12 requesting recurring funding in the state budget.

While we work to fulfill our own mission and duties, HTDC works closely with University of Hawaii, DBEDT and all the attached agencies to move the innovation economy forward. Thank you for the opportunity to offer these comments.



**HAWAII
STRATEGIC
DEVELOPMENT
CORPORATION**

No. 1 Capitol District Building
250 South Hotel Street, Suite 509
P.O. Box 2359
Honolulu, Hawaii 96804
Telephone: (808) 587-3830

Statement of
Karl K. Fooks
President

Hawaii Strategic Development Corporation

Before the
HOUSE COMMITTEE ON FINANCE

Wednesday, April 4, 2018
1:30 PM
State Capitol, Conference Room 308

**SB48 SD3 HD1 PROPOSED HD2
RELATING TO TECHNOLOGY**

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

The Hawaii Strategic Development Corporation (HSDC) **offers comments with strong concerns** on SB 48 SD3 HD1 Proposed HD2, which creates the Hawaii Innovation and Technology Research Corporation and transfers the rights, powers, functions, duties, and employees of the Hawaii Technology Development Corporation (HTDC) and the Hawaii Strategic Development Corporation (HSDC) to the Hawaii Innovation and Technology Research Corporation.

HSDC's focus on attracting private investment and HTDC's focus on supporting accelerators and promoting startups have successfully jumpstarted a vibrant innovation ecosystem. We should build on these successes rather than creating a new state entity. The new entity has not been vetted by the broader Hawaii innovation community and may put in jeopardy existing sources of funding.

This measure seeks to enable Hawaii to achieve success in the twenty-first century global economy. This will require a comprehensive Technology Based Economic Development (TBED) Strategy and not one focused on research and research commercialization. The leading national organization studying and promoting TBED initiatives, the State Science and Technology Institute (SSTI) provides the following guidelines for a comprehensive TBED Strategy:

SSTI Guidelines for Successful Technology-based Economic Development

Based on the experience of tech-based economies like Silicon Valley, Research Triangle, and Route 128, SSTI identified five critical elements required for a tech-based economy. The table below summarizes these five elements and identifies the current State of Hawaii entities promoting these elements.

SSTI Guidelines for Successful Technology-based Economic Development			
Element required	Description	What approaches can be deployed to develop this requirement?	State of Hawaii efforts to promote element
Research Capacity	A research base that generates new knowledge	Initiatives that strengthen the capacity to conduct research in universities, federal labs, or the private sector include: centers of excellence, university-industry partnerships, and initiatives to expand research facilities, recruit eminent scholars, or increase research funding through R&D tax credits.	University of Hawaii
Commercializing Research	Mechanisms for transferring knowledge to the marketplace	Initiatives that promote the conversion of research into technologies and products with high commercial potential include proof-of-concept funds and centers, entrepreneurs-in-residence to assess commercial potential and develop commercialization strategies, and pilot-scale production and scalability testing.	University of Hawaii for university research Hawaii Technology Development Corporation for private research
Promoting Entrepreneurship	An entrepreneurial culture	Enriching the skills and ability of entrepreneurs, increasing capacity of entrepreneurs to successfully grow and start companies, and improving the environment for entrepreneurial development can be delivered through many forms, including: venture development organizations, mentorship programs, and accelerators and incubators.	Hawaii Technology Development Corporation
Increasing Access to Capital	Sources of risk capital	The availability of capital to support startup and emerging companies is critical. Regions can address needs for capital through angel investor tax credits, investing in technology companies, using public funds to leverage private investment funds, and help companies access capital sources.	Hawaii Strategic Development Corporation
Technically Skilled Workforce	A technically skilled workforce	Approaches that regions can take to ensure the availability of a technically skilled workforce include encouraging more students to enter STEM fields, STEM internship programs and providing technical training for workers in existing companies.	University of Hawaii

A successful TBED policy must be comprehensive and support all five elements required for a thriving tech-based economy. It takes three different and separate entities, each focusing on their areas of expertise in the five critical elements of the TBED framework to achieve a vibrant tech-based economy. Hawaii has historically placed too much emphasis on research activities while ignoring the need to promote entrepreneurship, access to capital and a tech workforce. These elements enable research to become economic activity and are the drivers of real economic growth and job creation.

While we work to fulfill our own mission and duties, HSDC works closely with University of Hawaii, DBEDT and all the attached agencies to move the innovation economy forward. Thank you for the opportunity to offer these comments.

SB-48-HD-1

Submitted on: 4/3/2018 12:28:02 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:

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

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 **SB48 SD3 HD1**, relating to DAGS; HTDC; Incubation Services; and an appropriation.

The OCC Legislative Priorities Committee is in favor of **SB48 SD3 HD1** and support its passage.

SB48 SD3 HD1 is in alignment with the Platform of the Democratic Party of Hawai'i ("DPH"), 2016, as it appropriates moneys to the Hawaii Technology Development Corporation for its continued operation; and requests that the Department of Accounting and General Services locate a site to which the Corporation, working with the University of Hawaii and Department of Accounting and General Services, may relocate.

Specifically, the DPH Platform states, "We 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 **SB48 SD3 HD1** appropriates moneys to the Hawaii Technology Development Corporation for its continued operation; and requests that the Department

of Accounting and General Services locate a site to which the Corporation, working with the University of Hawaii and Department of Accounting and General Services, may relocate, it is the position of the OCC on Legislative Priorities 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, Text/Tel.: (808) 258-8889



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

Before the
HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCE

April 4, 2018
1:30 p.m.
State Capitol, Conference Room 308
In Support of
SB48, SD2, HD1 Proposed HD2 RELATING TO TECHNOLOGY

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

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

Re: Testimony in Support of SB48, HD2

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony **IN SUPPORT of SB48, HD2.**

We supported this Bill to create a new entity called the "Hawaii Innovation and Technology Corporation" to help bring coherency to Hawaii's endeavors to develop a more diverse economy through the development of a technology based industry and knowledge based jobs. The Corporation would have primary responsibility for developing strategic policy around three major areas, including (1) Start-ups, (2) Sustainment of existing enterprises, and (3) Attraction of companies that could establish an office in Hawaii with high quality jobs. The Corporation would also be appropriated resources that would have overarching responsibility for funding HTDC, HSDC, etc. initiatives to help ensure that there is coherency in how the State works as a team.

At its core, the Hawaii Innovation and Technology Corporation attempts to accelerate progress and address needs that current approaches have inadequately addressed. Moreover, for over 30+ years Oceanit has been supporting the current framework; however a fresh approach with an overarching Corporation for innovation and technology, could bring the much needed change and speed.

Therefore, we **SUPPORT SB48, HD2.**



Statement of
Derek Hall
Managing Director
GVS Accelerator
before the
Finance Committee
Wednesday, April 4, 2018
1:30 p.m.
State Capitol, Conference Room 308

In consideration of
SB48, SD3, HD2 (proposed)
RELATING TO TECHNOLOGY

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

The GVS Accelerator **opposes** SB48, SD3, HD2 (proposed) that seeks to merge HTDC and HSDC. The agencies have two different missions, visions and purposes – that, while compliment each other, do not have an effective outcome should they merge as they serve two very different purposes.

The award-winning GVS Accelerator is the only one of its kind in the entire country. It focuses on Hawaiian companies, developing Hawaiian intellectual property to tell Hawaiian stories in a commercially viable way. Our cohorts are made in Hawai'i but created for the world.

The GVS Accelerator was founded in 2014 as a public/private partnership between the State of Hawai'i, the County of Hawai'i and private investors. Since then we have become one of the entertainment hubs for the State and are home to 18 resident companies, over 30 freelancers and have accelerated 12 companies to date. We have a fulltime staff of 5 with over 100 contractors engaged each year on the neighbor island of Hawai'i.

The investment from HSDC is what has allowed the amazing success of the GVS Accelerator since its formation. Without their championing, a new industry would not be rising on neighbor islands. With the potential of hundreds of jobs lost should things get too tied up in red tape.

HTDC has been paramount in keeping the GVS Accelerator up-and-running in this new legislative shift and without them innovative thinking and progress on neighbor islands would be likely forgotten and lost.

Both agencies have been critical to the existence of creative innovation throughout the State and it's important that each mission has its own agency, rather than merging and blurring the lines – this will be of significant detriment to the wider State and will be an active step back, rather than forward – which is what Hawai'i needs to be focusing on.

Sincerely,

A handwritten signature in black ink, appearing to read "Derek Hall".

Derek Hall
Managing Director
GVS Accelerator | Honua Studios | GVS Connect
+1-808-339-7553



Statement of
Duke Hartman, P.E.
Vice President, Business Development
Makai Ocean Engineering, Inc.
before the
HOUSE COMMITTEE ON FINANCE
Wednesday, April 4, 2018
1:30 p.m.
State Capitol, Conference Room 308
In consideration of
SB48, SD3, HD2 PROPOSED
RELATING TO TECHNOLOGY

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

Makai Ocean Engineering, Inc. **STRONGLY OPPOSES SB48, SD3, HD2** that repeals the Hawaii Technology Development Corporation (HTDC) and Hawaii Strategic Development Corporation (HSDC) statutes and establishes the Hawaii Innovation and Technology Research Corporation.

Makai Ocean Engineering, Inc. is a locally-owned and operated technology company based in Hawaii for over 45 years. It is not an exaggeration to say that our company would not enjoy the level of success we currently do without HTDC. With the help of HTDC programs like their small business grant matching, alternative energy, and manufacturing grants, Makai has 1) developed the world's #1 subsea cable installation software, used by over 85% of the world's telecom cable installers to lay over 350,000 miles of subsea cable and bringing over \$35 million in taxable revenues to the State, 2) built the world's largest ocean thermal energy conversion (OTEC) facility, bringing more than \$30 million in federal and international R&D dollars into the State, and 3) supported a novel autonomous underwater vehicle development, which has already brought over \$7 million in federal R&D into the State. With a modest investment, it is clear that **HTDC is an exceptionally good return on investment of economic development dollars – it's working.**

HTDC has been instrumental in supporting Makai and many other tech small businesses in the state that have a measurable and outsized economic impact. Their support has enabled us to reverse the "brain drain" by providing highly-skilled, high-paying jobs to talented kama'aina who would otherwise be forced to leave Hawaii for the mainland in search of suitable jobs. It would be detrimental to Makai and the tech community to replace HTDC – there is no other single state agency that is more critical to the tech community, and we are doubtful of the newly proposed program's ability to provide equivalent or better results. Repealing the HTDC and HSDC statutes and combining their duties under a new agency would mean starting over from scratch with new leadership, direction, and programs. We have concerns that the tangible, measurable progress made in recent years and the existing programs that benefit the business community would be lost.

For these reasons, Makai Ocean Engineering **STRONGLY OPPOSES SB48, SD3, HD2**. Thank you for the opportunity to offer these comments.

Statement of
Collin Kobayashi
President
3D Innovations
before the
House Committee on Finance
Wednesday, April 4, 2018
1:30 p.m.
State Capitol, Conference Room 308

In consideration of
SB48, SD3, HD2 PROPOSED
RELATING TO TECHNOLOGY

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

3D Innovations **opposes** SB48, SD3, HD2 Proposed that repeals the Hawaii Technology Development Corporation (HTDC) and Hawaii Strategic Development Corporation (HSDC) statutes and establishes the Hawaii Innovation and Technology Research Corporation.

3D Innovations is a product development, prototyping, and manufacturing solutions provider that supports startup/technology, SBIR, and manufacturing companies.

With this recent news, having another entity take over and manage the Manoa Innovation Center facility would create some major concerns for us as tenants. Some of the concerns include changes to the operation of the facility and changeover in programs and/or program management.

In addition to these concerns, we feel that the programs that HTDC provides could be reduced or eliminated and will negatively affect the operations of the tenants at MIC. These programs that are provided by HTDC have a major impact on building a sustainable company. Without HTDC being the voice of the technology/startup community, we feel that any relationships built with the State Legislature would be lost and take many years to re-establish again.

HTDC has been an advocate for the startup and entrepreneurial community and will be lost if they are no longer managing the Manoa Innovation Center.

Repealing the HTDC and HSDC statutes and combining their duties under a new agency would mean starting over with new leadership, direction, and programs. We have concerns that the progress made in recent years and the existing programs that benefit the business community would be lost. Thank you for the opportunity to offer these comments.

Statement of
Joe Lorenzen
Brewmaster/Partner
before the
House Committee on Finance
Wednesday, April 4, 2018
1:30 p.m.
State Capitol, Conference Room 308

In consideration of
SB48, SD3, HD2 PROPOSED
RELATING TO TECHNOLOGY

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

Waikiki Brewing Company **opposes** SB48, SD3, HD2 Proposed that repeals the Hawaii Technology Development Corporation (HTDC) and Hawaii Strategic Development Corporation (HSDC) statutes and establishes the Hawaii Innovation and Technology Research Corporation.

The HTDC and HSDC have been of benefit to other craft breweries in our state and we would like to see these programs continue so that we may also use them in the future. Our industry is a growing industry that faces many obstacles in competing with mainland companies. We create many jobs and revenues for the state, and having programs such as these allow us to continue to grow.

Repealing the HTDC and HSDC statutes and combining their duties under a new agency would mean starting over with new leadership, direction, and programs. We have concerns that the progress made in recent years and the existing programs that benefit the business community would be lost. Thank you for the opportunity to offer these comments.



April 3, 8018

House Committee on Finance
Wednesday, April 4, 2018
1:30 p.m.
State Capitol, Conference Room 308

In consideration of
SB48, SD3, HD2 PROPOSED
RELATING TO TECHNOLOGY

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

Honolulu Beerworks **opposes** SB48, SD3, HD2 Proposed that repeals the Hawaii Technology Development Corporation (HTDC) and Hawaii Strategic Development Corporation (HSDC) statutes and establishes the Hawaii Innovation and Technology Research Corporation

Position: **Opposed**

Honolulu Beerworks is a small, independent craft brewery located in the heart of Kaka'ako. We opened in 2014 with 18 employees and have undergone 3 expansions since then. We now currently employ 36 and have our eyes on expanding again in the near future. HTDC programs help us to be able to keep expanding on Oahu and adding more local jobs by offsetting some of the enormous upfront costs of brewing equipment. If not for programs like this helping small manufacturers, we would be very limited on what we could produce even though the demand for our local beers is high.

Repealing the HTDC and HSDC statutes and combining their duties under a new agency would mean starting over with new leadership, direction, and programs. We have concerns that the progress made in recent years and the existing programs that benefit the business community would be lost. Thank you for the opportunity to offer these comments.

Mahalo for your consideration.

Sincerely,

Geoffrey Seideman

Owner/Brewer

Honolulu Beerworks
328 Cooke St, Honolulu HI. 938 13
808-589-2337



3 April 2018

To : House Committee on Finance: R.e. SB 48 HD 2

To be heard on 04-04-18 1:30PM in House conference room 308.

Dear Chair Rep. Luke, Vice Chair Taniguchi, and Members of the Committee on Finance,

I write in **strong opposition** of SB 48 HD 2, RELATING TO TECHNOLOGY, which seeks to completely eliminate HTDC and replace it with a new entity, Hawaii innovation and technology research corporation. This change is put forth for, apparently, no good reason. SB 48 HD 2 states that “additional efforts are required” to move innovation forward in Hawaii. That may indeed be the case – we certainly approve of the appropriation of additional funds for HTDC to more vigorously pursue their mission – but why must the entire HTDC structure be leveled?

This bill – as currently drafted – smacks strongly of some petty political agenda. If there is indeed any case to be made to restructure HTDC, then the legislature should ask the State Auditor General – or some other objective entity - to review the effectiveness of HTDC and come back with recommendations for transparent consideration. Completely eliminating an organization in such a peremptory manner, without any reason or public process, should be beneath the dignity of our legislature.

I have found HTDC to be efficient, creative, and innovative in supporting the growth of our company, our industry in Hawaii, and innovation generally. I **strongly support the continued appropriation of funds to maintain and expand HTDC’s work**, under the current organizational structure.

Thank you for the opportunity to offer these comments.

Mahalo, and aloha,

A handwritten signature in black ink, appearing to read "Neil Anthony Sims".

Neil Anthony Sims, M.Sc.
Co-Founder, CEO, Kampachi Farms, LLC
President, The Ocean Stewards Institute
neil@kampachifarm.com (808) 989 2438



1928 Republican Street Honolulu, HI 96819 Phone: (808) 845-9868 Fax: (808) 848-7848

Statement of
Jimmy Chan
General Manager/Owner
Hawaiian Chip Company
before the
House Committee on Finance
Wednesday, April 4, 2018
1:30 p.m.
State Capitol, Conference Room 308

In consideration of
**SB48, SD3, HD2 PROPOSED
RELATING TO TECHNOLOGY**

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

The Hawaiian Chip Company opposes SB48, SD3, HD2 Proposed that repeals the Hawaii Technology Development Corporation (HTDC) and Hawaii Strategic Development Corporation (HSDC) statutes and establishes the Hawaii Innovation and Technology Research Corporation.

HTDC has been instrumental in helping the Hawaiian Chip Company expand its operation and revenue. The expertise of HTDC's consultants helped to implement a comprehensive food safety program to address changing FDA guidelines, assuring continuing operations. HTDC has also supported numerous export opportunities and growth from those sales will support growth for the company adding to Hawaii's economy.

Repealing the HTDC and HSDC statutes and combining their duties under a new agency would mean starting over with new leadership, direction, and programs. We have concerns that the progress made in recent years and the existing programs that benefit the business community would be lost. Thank you for the opportunity to offer these comments.

Mahalo,

A handwritten signature in black ink, appearing to be "Jimmy Chan", written over a horizontal line.

Jimmy Chan



2800 Woodlawn Dr.
STE #150
Honolulu HI 96028
www.spectrum-photonics.com

Statement of
Edward Knobbe
President
Spectrum Photonics
before the
House Committee on Finance
Wednesday, April 4, 2018
1:30 p.m.
State Capitol, Conference Room 308

In consideration of
SB48, SD3, HD2 PROPOSED
RELATING TO TECHNOLOGY

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

Spectrum Photonics **opposes** SB48, SD3, HD2 Proposed that repeals the Hawaii Technology Development Corporation (HTDC) and Hawaii Strategic Development Corporation (HSDC) statutes and establishes the Hawaii Innovation and Technology Research Corporation.

During the past 8 years we have received approximately \$13,000,000 in federal SBIR funds. It is these government-funded SBIR projects, in combination with the HSBIR matching grant funding, that has enabled Spectrum to win highly-competitive follow-on broad agency announcement (BAA) awards. Recent follow-on BAA contracts totaling more than \$28,000,000 in additional funding has been awarded since 2015, include \$3,000,000 from the Office of Scientific Development's Rapid Innovation Fund (RIF) program, \$4,500,000 of funding under the Next-Generation Chemical Detection (NGCD) program, \$3,600,000 under the Surface Contamination Detection (SCD) Stryker NBCRV sensor upgrade program, and \$16,900,000 under IARPA's Standoff ILluminator for Measuring Absorbance and Reflectance Infrared Light Signatures (SILMARILS) program.

Spectrum Photonics is a direct beneficiary of HTDC's many outreach programs, including small business seminars, legislative liaison opportunities, the HSBIR matching grant program, and large business/commercialization partner ventures. Repealing the HTDC and HSDC statutes and combining their duties under a new agency would mean starting over with new leadership, direction, and programs. We have concerns that the progress made in recent years and the existing programs that benefit the business community would be lost.

Thank you for the opportunity to offer these comments.

Statement of
Gary T. Yoshioka
President
Diamond Bakery Co., Ltd.
before the
House Committee on Finance
Wednesday, April 4, 2018
1:30 p.m.
State Capitol, Conference Room 308

In consideration of
SB48, SD3, HD2 PROPOSED
RELATING TO TECHNOLOGY

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

Diamond Bakery **opposes** SB48, SD3, HD2 Proposed that repeals the Hawaii Technology Development Corporation (HTDC) and Hawaii Strategic Development Corporation (HSDC) statutes and establishes the Hawaii Innovation and Technology Research Corporation.

Diamond Bakery is a 96 year old locally-owned company that makes crackers and cookies. The owners of Diamond Bakery are descendants of the same families of the original three founders, who were Japanese immigrants to Hawaii. We are a proud kamaaina company that has aggressively been innovating from a product, process, and technological industrial automation perspective for the last three years. We could not have made this kind of rapid progress without the support of HTDC and INNOVATE Hawaii.

Diamond Bakery Co. Ltd., is a client and partner of HTDC and INNOVATE Hawaii. We have benefited greatly from the resources and expertise of this organization. They have helped us better competitively position our business in the following ways:

- Provided information, consultation, and direct support via their expert staff and programs
- Promoted and supported the application process for the MAP grant program where we have gratefully been the recipient of over \$150,000 in capital equipment grants.
- Connected us with the local SBDC, who helped us structure and analyze equipment financing options to ensure our financial health.
- Provided active leadership support to our industry association, the Hawaii Food Manufacturers Association and the Hawaii Chamber of Commerce.
- Conducted numerous education programs on critical industry topics such as Global Food Safety, U.S. Food Safety Modernization Act, Activating Social Media Resources.
- Supported a Design Thinking training seminar for executive team to drive innovation.
- Coordinated the development of a customized 48-week Industrial Automation Training Program for our company technicians working in concert with the State Department of Labor and Industrial Relations, Hawaii Chamber of Commerce, University of Hawaii, and Leeward Community College, which will be offered industry wide.
- Implementing a LEAN manufacturing training program for our company
- Extended the resource network exponentially for Diamond Bakery.

This assistance has had a direct on my company's operations, sales and overall performance. We are growing across all key metrics over the last two years.

To elaborate on an example of their program support, we have been able to secure generous manufacturing development program grants over the last two years. The support has dramatically increased our productivity and helped us grow sales revenue significantly during the two year period, due to the efficiency, quality, and innovation capability the new equipment acquisitions have brought to our company. We have also been able to add full-time factory positions and we are in the process of hiring an assistant mixer and a skilled maintenance technician due to the growth and state-of the art equipment we now have.

The building of a strengthened small business, manufacturing and innovation-focused economy in Hawaii is well underway in my view. Having HTDC and INNOVATE Hawaii as a trusted ally and resource is invaluable for both my business and Hawaii's manufacturing sector as a whole.

Repealing the HTDC and HSDC statutes and combining their duties under a new agency would mean starting over with new leadership, direction, and programs. We have concerns that the progress made in recent years and the existing programs that benefit the business community would be lost.

Furthermore, it may be helpful to provide a process for interaction with industry and those developing the concept for this legislation to ensure that recognition is given to what we currently have and how we might make it even better through any government structure that makes the most sense.

Thank you for the opportunity to offer these comments.

SB-48-HD-1

Submitted on: 4/3/2018 10:34:13 AM

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

Submitted By	Organization	Testifier Position	Present at Hearing
Garrett W. Marrero	Maui Brewing Co.	Oppose	No

Comments:



KAUAI ISLAND BREWING CO.

PORT ALLEN, HAWAII

April 3, 2018

House Committee on Finance

Wednesday, April 4, 2018

1:30 p.m.

State Capitol, Conference Room 308

In consideration of

SB48, SD3, HD2 PROPOSED LATING TO TECHNOLOGY

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

Kauai Island Brewing Company **opposes** SB48, SD3, HD2 Proposed that repeals the Hawaii Technology Development Corporation (HTDC) and Hawaii Strategic Development Corporation (HSDC) statutes and establishes the Hawaii Innovation and Technology Research Corporation.

Kauai Island Brewing Company currently employees 35 full and part-time employee's. We are a manufacturing facility that is looking to expand its brewing operations through the purchase of additional and larger equipment. All this equipment needs to be purchased and shipped from the mainland not to mention all our raw ingredients. Our costs to ship are extensive. Our costs to operate remotely from an Island are upwards of 40% higher than if we were on the mainland. This grant offers us opportunities to get relief from these higher costs and will be used to further invest in our business and our people.

According to the Chamber of Commerce of Hawaii, Hawaii has over 1,000 active manufacturers employing approximately 17,000 workers and Hawaii's manufacturing industry helped the local economy by exporting nearly \$570 million in manufactured goods in 2012.

The program limits reimbursement to 20% of qualified expenses capped at \$100,000. The program shows the State's support for local manufacturers willing to make the commitment to growing their businesses in Hawaii and growing the industry.

Thank you for the opportunity to offer these comments.

Sincerely,

Bret Larson
President, Kauai Island Brewing Company, LLC.
808-755-5926
bret@kauaiislandbrewing.com



Cindy Goldstein
Executive Director
Hawaiian Craft Brewers Guild
98-814 C Kaonohi Street
Aiea, HI 96701

SB48, S.D.3, H.D. 2
RELATING TO THE HAWAII TECHNOLOGY DEVELOPMENT CORPORATION and Hawaii
Innovation and Technology Research Corporation
House Committee on Finance
Weds, April 4th 2018 at 1:30 p.m. Conference Room 308

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

Position: **Oppose**

The Hawaiian Craft Brewers Guild opposes SB48, S.D.3, H.D.2 which transfers the functions, duties and employees of the High Technology Development Corporation to the proposed new entity, the Hawaii Innovation and Technology Research Corporation. The proposed conversion of funding for positions from special funds to general funds is of concern.

Programs administered by HTDC have provided effective support for manufacturing and technology business across the State of Hawaii. The Manufacturing Development Program is well aligned with the mission of our organization, to promote economic activity for Hawaii's beer manufactures and enhance opportunities in our communities.

Craft beer manufacturers have applied for and received manufacturing assistance program grants. This funding has provided significant positive benefits for our member breweries, supporting and stimulating expansion and growth of beer manufacturing in Hawaii. New jobs have been created at individual breweries and career opportunities broadened for living wage jobs.

The HTDC has done a good job in providing program information to businesses and developing workshops and projects that help manufacturing and technology sectors in Hawaii. HTDC serves as a hub for business innovation and fosters growth in manufacturing.

The Hawaiian Craft Brewers Guild is a non-profit Hawaii trade organization that seeks to promote production of independent craft beer in Hawaii. The number of independent craft breweries in Hawaii continues to grow, and several breweries have recently, or are in the process of expanding. Our members represent the majority of the craft beer producers in Hawaii, with members producing 100% of their beer in Hawaii.

The Hawaiian Craft Brewers Guild thanks you for the opportunity to provide testimony in opposition to SB48, S.D.3, H.D.2.



808.878.1266
mauiwine.com

HC 1 Box 953
Kula, HI 96790-9304

April 3, 2018

To: House Committee on Finance
Wednesday, April 4th, 2018 1:30pm
State Capitol, Conference Room 308

From: Paula J. Hegele
President
Maui Wine, Ltd.

Maui Wine, Ltd. opposes SB48, SD3, HD2 proposal that repeals the Hawaii Technology Development Corporation (HTDC) and the Hawaii Strategic Development Corporation (HSDC) statutes and establishes the Hawaii Innovation and Technology Research Corporation.

Maui Wine, Ltd., has utilized the services, grant programs and community outreach programs as a manufacturer for several years. Our relationship has been beneficial, professional and extremely efficient. HTDC has provided a valuable relationship in offering skills, opportunities for growth and resources, which we do not have readily accessible to us on Maui. One of the most noteworthy compliments of HTDC is that their staff is accessible, present at community events and promotes a business relationship for ongoing education and services.

Repealing the HTDC and HSDC statutes and combining duties under a new agency would mean the loss of leadership, efficient management, established relationships and relevant programs to many small businesses in Hawaii. We have concerns that the positive progress which has been made in recent years, would be lost. This loss is a huge blow to Hawaii businesses, which continually strive to keep current and efficient in what is often a difficult market place.

Thank you for the opportunity to offer comments.

Sincerely,

Paula J. Hegele



808.878.1266
mauiwine.com

HC 1 Box 953
Kula, HI 96790-9304



SB-48-HD-1

Submitted on: 4/3/2018 12:15:35 PM

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

Submitted By	Organization	Testifier Position	Present at Hearing
Nicole Nietz	GTA Development Fund	Comments	No

Comments:

Mahalo nui loa to our Legislators for your hard work for the State of Hawai'i.

My name is Nicole Nietz and I serve as Development Executive and Portfolio Management for GTA Development Fund which is the seed investment arm of the GVS Accelerator Program.

I am concerned about the recent proposition to merge the Hawaii Strategic Development Corporation (HSDC) with the Hawaii Technology Development Corporation (HTDC) as this could jeopardize the success of the supported accelerator programs. Both agencies have unique goals, purposes and charters and critical functions in the State's economic development ecosystem and to merge them could prove detrimental to the young programs the State has so strategically invested in over these last several years. I truly believe that the healthiest and most productive manner in which the State could engender and drive economic development in these innovative new industries and market spaces is to continue to support both agencies in their unique roles for the consistent and complete launchpad that is needed for successful liftoff of these programs and new businesses.

Please do take to heart this concern from those of us who are in the midst of the work - and most directly affected by the intentional design and funding of the startup ecosystem here in the State of Hawai'i. Many thanks for your consideration.

With Great Appreciation for your Service,

Nicole Nietz, GTA Development Fund

SB-48-HD-1

Submitted on: 4/3/2018 12:19:24 PM

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

Submitted By	Organization	Testifier Position	Present at Hearing
Shawn Mawae	Individual	Support	No

Comments:

SB-48-HD-1

Submitted on: 4/3/2018 11:29:00 AM

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

Submitted By	Organization	Testifier Position	Present at Hearing
David L. Cunningham	Individual	Oppose	No

Comments:

These agencies have different goals and serve different needs, so while both of them have been seriously beneficial to our company, the merging of the two agencies would negatively impact our immediate goals and threaten our continued success. Please allow both of these agencies to continue the valuable work they are doing without essentially starting over.

SB-48-HD-1

Submitted on: 4/3/2018 10:19:19 AM

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

Submitted By	Organization	Testifier Position	Present at Hearing
Richard Michael Gonzalez	Individual	Oppose	No

Comments:

SB-48-HD-1

Submitted on: 4/3/2018 8:38:37 AM

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

Submitted By	Organization	Testifier Position	Present at Hearing
Neil Sauvageau	Individual	Oppose	No

Comments:

I oppose the merging of the HTDC & HSDC. Please help us to insure the stability of the film industry on Hawai'i Island by stopping this bill from passing as it is. As a freelancer in the film industry I feel SB48 SD3 HD1 is not in our best interest.

Mahalo Nui Loa for your time,

Neil Sauvageau



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

HOUSE COMMITTEE ON FINANCE

Wednesday, April 4, 2018

1:30 p.m.

State Capitol, Conference Room 308

in consideration of

**SB48, SD3, Proposed HD2
RELATING TO TECHNOLOGY.**

LATE

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

The Department of Business, Economic Development, and Tourism (DBEDT) respectfully provides **comments with strong concerns** on SB48, SD3, Proposed HD2, which would establish a Hawaii Innovation and Technology Research Corporation, and repeal Chapters 206M, the Hawaii Technology Development Corporation, and 211F, the Hawaii Strategic Development Corporation.

The Proposed HD 2 appropriates general funds for HTDC to replace the tenant revenues from the Manoa Innovation Center. DBEDT is grateful for the House's support for funding to continue HTDC.

DBEDT's has the following strong concerns:

- **If the HTDC statute were repealed, the state would lose the 5 year \$2,500,000 federal funding** for the Manufacturing Extension Partnership (MEP) program. The National Institute of Science and Technology (NIST) will not allow transfer of the grant awarded to the Innovate Hawaii program which is part of the NIST Manufacturing Extension Partnership program. The \$500K annual federal funding and **4 federally funded employees would be terminated on June 30, 2018.**
- The HTDC special fund ceiling would be eliminated which is required to operate the Maui Research and Technology Center (MRTC) and to accept sponsorships to cover the costs of HTDC events. **These programs would end on June 30, 2018.**

- Existing HTDC employees may not fit the requirements of a new executive director and agency. **Twenty-two employees could lose their positions.** The uncertainty will likely result in loss of experienced staff.
- HTDC's statutory authority to create technology parks would be in jeopardy with the repeal of Chapter 206M, HRS, despite the language transferring the functions of HTDC.
- HSDC's statutory authority to create investment partnerships to attract private capital for Hawaii's start-up businesses would be jeopardy with the repeal of Chapter 211F, HRS. Increasing access to capital is critical to getting new technology businesses past the research stage into commercialization and growth.

It takes three different and separate entities, the University of Hawaii, the Hawaii Technology Development Corporation, and the Hawaii Strategic Development Corporation, each focusing on their areas of expertise and collaborating with other state agencies such as DBEDT's Creative Industries Division, NELHA, and the Foreign Trade Zone, to achieve a vibrant tech-based economy in Hawaii.

Thank you for the opportunity to provide these comments.

Statement of
Dave Curry
Co-owner
Kauai Island Brewing Co

LATE

before the
House Committee on Finance
Wednesday, April 4, 2018
1:30 p.m.
State Capitol, Conference Room 308

In consideration of
SB48, SD3, HD2 PROPOSED
RELATING TO TECHNOLOGY

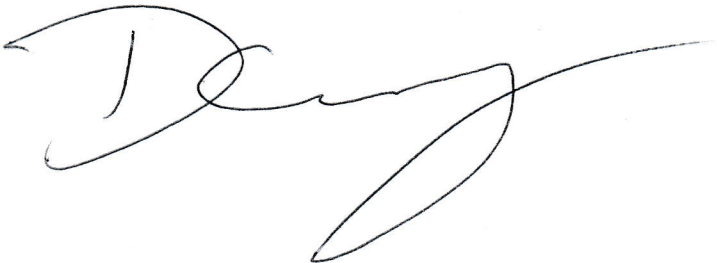
Chair Luke, Vice Chair Cullen, and Members of the Committee on Finance.

Kauai Island Brewing Co. **opposes** SB48, SD3, HD2 Proposed that repeals the Hawaii Technology Development Corporation (HTDC) and Hawaii Strategic Development Corporation (HSDC) statutes and establishes the Hawaii Innovation and Technology Research Corporation.

We believe these programs are an important resource helping small business succeed in Hawaii.

Repealing the HTDC and HSDC statutes and combining their duties under a new agency would mean starting over with new leadership, direction, and programs. We have concerns that the progress made in recent years and the existing programs that benefit the business community would be lost. Thank you for considering our opinion.

Dave Curry
Kauai Island Brewing Co





Statement of
Ian Elumba
Co-Founder
Kohola Brewery
before the
House Committee on Finance
Wednesday, April 4, 2018
1:30 p.m.
State Capitol, Conference Room 308

In consideration of
SB48, SD3, HD2 PROPOSED
RELATING TO TECHNOLOGY

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

Kohola Brewery opposes SB48, SD3, HD2 Proposed that repeals the Hawaii Technology Development Corporation (HTDC) and Hawaii Strategic Development Corporation (HSDC) statutes and establishes the Hawaii Innovation and Technology Research Corporation.

Kohola Brewery is a locally owned, minority owned brewery in Lahaina, Maui. As a local business, we really on technology a lot to manufacture our products, without technology, we would not be able to create our product and create jobs for our local economy.

Repealing the HTDC and HSDC statutes and combining their duties under a new agency would mean starting over with new leadership, direction, and programs. We have concerns that the progress made in recent years and the existing programs that benefit the business community would be lost. Thank you for the opportunity to offer these comments.



Kauai Beer Company
4265 Rice Street
Lihue, Hi
96766

LATE

Statement of
Jim Guerber
President
The Kauai Beer Company
before the

House Committee on Finance
Wednesday, April 4, 2018
1:30 p.m.

State Capitol, Conference Room 308
In consideration of
SB48, SD3, HD2 PROPOSED
RELATING TO TECHNOLOGY

Position: **Opposition**

Chair Luke, Vice Chair Cullen, and Members of the Committee on Finance.
The Kauai Beer Company opposes SB48, SD3, HD2 Proposed that repeals the Hawaii
Technology Development Corporation (HTDC) and Hawaii Strategic Development
Corporation
(HSDC) statutes and establishes the Hawaii Innovation and Technology Research
Corporation.

My name is Jim Guerber and I am the President of the Kauai Beer Company, located in downtown Lihue, Kauai on Rice Street. We have been in business here since 2006 and began formally serving beer in September 2013. We have been instrumental in the effort to revitalize our downtown and are widely recognized for our contribution in that regard. We are in the process of renovating an adjacent space, which will dramatically enhance our ability to serve a larger customer base, increase production and increase our personnel, which is presently 34 full and part-time personnel.

Repealing the HTDC and HSDC statutes and combining their duties under a new agency would mean starting over with new leadership, direction, and programs. We have concerns that the progress made in recent years and the existing programs that benefit the business community would be lost.

Thank you for the opportunity to offer these comments.

LATE

SB-48-HD-1

Submitted on: 4/3/2018 3:34:28 PM

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

Submitted By	Organization	Testifier Position	Present at Hearing
Warren Doi	Individual	Oppose	No

Comments:

Our local community of entrepreneurs needs consistence in the organizations that maintain a stable ecosystem. Please do not destroy the established support structure as it exists.



LATE

64-1066 Mamalahoa Highway
Kamuela, Hawaii, 96743

T 808-887-1717
F 808-885-0653
BigIslandBrewHaus@Yahoo.Com

BigIslandBrewHaus.Com

April 4, 2018

Statement of
Big Island Brewhaus LLC
before the
House Committee on Finance
Wednesday, April 4, 2018
1:30 p.m.
State Capitol, Conference Room 308

In consideration of
**SB48, SD3, HD2 PROPOSED
RELATING TO TECHNOLOGY**

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

Big Island Brewhaus LLC **opposes** SB48, SD3, HD2 Proposed that repeals the Hawaii Technology Development Corporation (HTDC) and Hawaii Strategic Development Corporation (HSDC) statutes and establishes the Hawaii Innovation and Technology Research Corporation.

I'm writing on behalf of our small, local family-operated business, Big Island Brewhaus in Kamuela on the Big Island. We support **the HTDC** that appropriates funds to the HTDC's "MAP GRANT". This program has shown success in assisting the growth of manufacturing in Hawaii. In addition to greater independence, local manufacturing is important to our local workforce in creating valued technical jobs for our statewide communities.

Hawaiian manufacturing and producers operate under the highest cost conditions of any State. This has served to limit the availability of true, locally produced selections and give rise to a host of "faux-Hawaiian" products. As an isolated State we must invest in local manufacturing, these are jobs with good wages and benefits that can provide careers for our residents. Further if Hawaii is to continue to compete in the world of tourism it is important for us to deliver an authentic Hawaiian experience in our products. Supporting the existing and future programs within HTDC is proving successful on many levels.

Big Island Brewhaus was founded initially in 2008 with 9 original employees as a community gathering place serving local cuisine and hand-crafted beers. We have grown into a team of 40 Big Island residents that sells award winning beers throughout Hawaii and is focused

on using local sources for our food and beer. We have done this in the face of significant challenges to growth at all levels; financial, shipping, taxation, legislative and more. Incentives like HTDC can help us continue our success and help others to do the same. We appreciate the ongoing support of all individuals and legislators who support issues which enable local manufacturers and businesses to thrive in Hawaii

Repealing the HTDC and HSDC statutes and combining their duties under a new agency would mean starting over with new leadership, direction, and programs. We have concerns that the progress made in recent years and the existing programs that benefit the business community would be lost. Thank you for the opportunity to offer these comments.

Sincerely,

Thomas D. Kerns

Thomas Kerns

Founder & Brewer

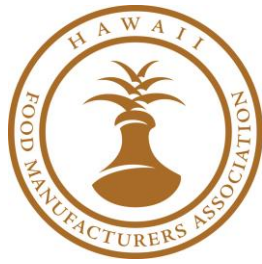
Big Island Brewhaus

64-1066 Mamalahoa Highway

Kamuela, HI, 96743

BigIslandBrewhaus@yahoo.com

Cell# 808-276-3301



LATE

Statement of
Board of Directors
Hawaii Food Manufacturers Association
before the
House Committee on Finance
Wednesday, April 4, 2018
1:30 p.m.
State Capitol, Conference Room 308

In consideration of
**SB48, SD3, HD2 PROPOSED
RELATING TO TECHNOLOGY**

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

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The Hawaii Food Manufacturers Association (HFMA) is a non-profit organization of approximately 150 members, that has been promoting Hawaiian grown or manufactured products since 1977. The HFMA works to increase the understanding and appreciation of the unique flavors, quality, and care that go into the production of Hawaii's fine foods and beverages represented by our membership. HFMA is the only food manufacturing association in the United States.

HTDC has helped many members grow revenue and employment for the State of Hawaii. HTDC has provided critical support to opening up export opportunities for many of the small businesses comprising HFMA membership. Many companies in the HFMA have also received essential financial assistance from HTDC to increase operating capacity and efficiency. Strengthening these pillars in a company lead to more opportunities for employment as companies are able to grow.

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Culinary Institute of the Pacific

Aurora Saulo
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Nina Tanabe
Pacific Food Technology

Susan Utsugi
Central Pacific Bank

Jason Wong
HFM FoodService



LATE

64-1066 Mamalahoa Highway
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BigIslandBrewHaus@Yahoo.Com

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April 4, 2018

Statement of
Big Island Brewhaus LLC
before the
House Committee on Finance
Wednesday, April 4, 2018
1:30 p.m.
State Capitol, Conference Room 308

In consideration of
**SB48, SD3, HD2 PROPOSED
RELATING TO TECHNOLOGY**

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Sincerely,

Thomas D. Kerns

Thomas Kerns

Founder & Brewer

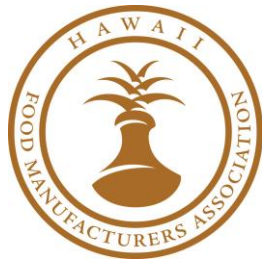
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LATE

Statement of
Board of Directors
Hawaii Food Manufacturers Association
before the
House Committee on Finance
Wednesday, April 4, 2018
1:30 p.m.
State Capitol, Conference Room 308

In consideration of
**SB48, SD3, HD2 PROPOSED
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Chair Luke, Vice Chair Cullen, and Members of the Committee on Finance.

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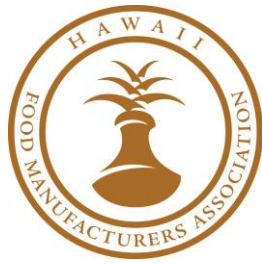
Conrad Nonaka
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Jason Wong
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LATE

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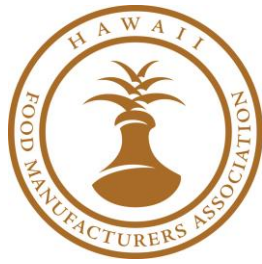
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Statement of
Board of Directors
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House Committee on Finance
Wednesday, April 4, 2018
1:30 p.m.
State Capitol, Conference Room 308

In consideration of
**SB48, SD3, HD2 PROPOSED
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