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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 CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 3205

February 23, 2022
10:00 a.m.
Room 211 and Videoconference

RELATING TO ENERGY

The Department of Budget and Finance (B&F) offers comments on this bill.

Senate Bill (S.B.) No. 3205 authorizes the Hawai'i Technology Development Corporation (HTDC) to temporarily re-establish the Hawai'i Office of Naval Research Grant Program (HONRGP) to provide 50% matching grants to Hawai'i awardees of alternative energy research grants from the U.S. Office of Naval Research; establishes the Alternative Energy Research and Development Revolving Fund (AERDRF); appropriates \$1,000,000 in general funds in FY 23 to be deposited into the AERDRF; and appropriates the same amount out of the AERDRF for the purpose of providing grants pursuant to this measure. Section 3 of S.B. No. 3205 provides that the AERDRF shall be abolished on June 30, 2024, and all unencumbered balances shall lapse to the credit of the general fund.

B&F notes that the HONRGP, as described, is a grant program with no expectation of repayment and reissuance of further grants from revenues derived from any form of repayment. B&F further notes that HTDC already administers and issues awards through other grant programs under its jurisdiction from funds appropriated to

the agency either through HTDC's budget or as a direct general fund appropriation. To this end, B&F points out that the establishment of a revolving fund may not be an appropriate means to support the HONRGP. Findings from Report No. 18-06 published by the Office of the Auditor found that previous legislation proposing the establishment of the AERDRF did not satisfy the criteria of establishing a revolving fund. B&F defers to the Auditor's report on the details as to why the AERDRF fails to meet the criteria.

In addition, as a matter of general policy, B&F does not support the creation of any revolving fund which does not meet the requirements of Section 37-52.4, HRS. Revolving 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. Regarding S.B. No. 3205, it is difficult to determine whether the proposed revolving fund would be self-sustaining as there does not appear to be any significant source of revenues to support the AERDRF aside from appropriations from the Legislature.

Finally, B&F notes that, with respect to the general fund appropriation in this bill, the federal Coronavirus Response and Relief Supplemental Appropriations Act requires that states receiving Elementary and Secondary School Emergency Relief (ESSER) II funds and Governor's Emergency Education Relief II funds must maintain state support for:

- Elementary and secondary education in FY 22 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and

- Higher education in FY 22 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

Further, the federal American Rescue Plan (ARP) Act requires that states receiving ARP ESSER funds must maintain state support for:

- Elementary and secondary education in FY 22 and FY 23 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 and FY 23 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

The U.S. Department of Education has issued rules governing how these maintenance of effort (MOE) requirements are to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawai'i complies with these ESSER MOE requirements.

Thank you for your consideration of our comments.



Written Statement of
Len Higashi
Acting Executive Director
Hawaii Technology Development Corporation
before the
SENATE COMMITTEE ON WAYS AND MEANS

Wednesday, February 23, 2022
10:00 a.m.
Videoconference

In consideration of
SB3205
RELATING TO ENERGY

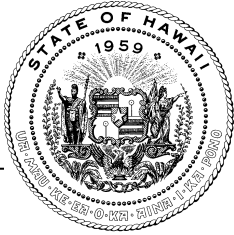
Chair Dela Cruz, Vice Chair Keith-Agaran and Members of the Committee

The Hawai'i Technology Development Corporation (HTDC) **supports with comments** SB3205 that authorizes the Hawaii Technology Development Corporation to temporarily re-establish the Hawaii Office of Naval Research Grant Program to provide fifty per cent matching grants to Hawaii awardees of alternative energy research grants from the United States Office of Naval Research and establishes the alternative energy research and development revolving fund and makes appropriations.

HTDC supports initiatives aimed at promoting technology and manufacturing jobs. The Office of Naval Research Alternative Energy Research (HONR) grant program was last appropriated in FY17. In FY17, all three companies that applied were awarded a total of \$950,000. The companies matched the state award with a total of \$10.2 million of federal funds. HTDC believes the grant programs provide leverage and positive economic development value for the State.

HTDC **comments** that the **revolving fund** established in the bill has been flagged as problematic and suggests that the program make awards directly from the general fund consistent with HTDC's other matching grant programs. HTDC is supportive of expanding the topics to allow greater participation in this program.

We support this request provided it does not supplant the Governor's priorities in the Administrative budget. Thank you for the opportunity to offer these comments.



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

DAVID Y. IGE
GOVERNOR

SCOTT J. GLENN
CHIEF ENERGY OFFICER

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Testimony of
SCOTT J. GLENN, Chief Energy Officer

before the
SENATE COMMITTEE ON WAYS AND MEANS

Wednesday, February 23, 2022
10:00 AM
State Capitol, Conference Room 211 & Videoconference

**SUPPORT
SB 3205
RELATING TO ENERGY.**

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee, the Hawai'i State Energy Office (HSEO) supports SB 3205, which authorizes the Hawaii Technology Development Corporation to temporarily re-establish the Hawaii Office of Naval Research Grant Program to provide fifty per cent matching grants to Hawai'i awardees of alternative energy research grants from the United States Office of Naval Research, establishes the alternative energy research and development revolving fund, and makes appropriations.

In addition to the topic areas currently listed in the bill, HSEO recommends adding alternative fuels, hydrogen, batteries, and energy storage, as these are also areas of interest to Hawaii. The recommended change would be to add these to paragraph (b)(1) on page 2, starting on line 16:

- (1) Has been awarded a competitive contract from the Department of Defense Office of Naval Research related to the research of alternative energy and energy efficiency technologies in the fields of geothermal, solar, wind, ocean power, hydrodynamics, bioenergy, biomass, solid waste, smart grids, transportation, alternative fuels,

hydrogen, batteries, energy storage or
demand response;

HSEO defers to the appropriate agency for comment on the management of the program.

HSEO supports this bill provided that its passage does not replace or adversely impact priorities indicated in the Executive Supplemental Budget.

Thank you for the opportunity to testify.



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

Before the
SENATE COMMITTEE ON WAYS AND MEANS

Tuesday, February 22, 2022
10:00 a.m.
State Capitol, Conference Room 211 and Videoconference

Offers Comments to
**SB3205 RELATING TO THE HAWAII TECHNOLOGY
DEVELOPMENT CORPORATION**

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

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

Re: Comments relating to SB3205

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to offer comments to for SB3205

Hawaii's Alternative Energy and Research Development Program is an integral part in making the entire state energy sustainable. Hawaii is fortunate with its diverse resources such as solar, wind, hydro, bioenergy and geothermal which is ideal for the development of clean energy. The continuation of this program is important for Hawaii's economy as it will allow local companies to continue to do their research and development in renewable energy. In addition, it will keep high-paying, high-skilled jobs in Hawaii, furthering the State's commitment to renewable energy and supporting business.

Oceanit is in SUPPORT of HSB3205



Statement of
Hermann Kugeler
Vice President of Business Development
Makai Ocean Engineering, Inc.
before the
Senate Committee on Ways and Means
Wednesday, February 23, 2022
10:00 am
Videoconference
State Capitol, Conference Room 211
In consideration of
SB3205
RELATING TO ENERGY

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

Makai Ocean Engineering, Inc. **STRONGLY SUPPORTS SB3205** that re-establishes the Hawaii Office of Naval Research Grant Program.

Makai is a locally-owned and operated technology company based in Hawai`i for nearly 50 years. One of the driving reasons behind Makai's existence is to help Hawai`i achieve energy independence using clean, alternative and renewable resources.

Hawai`i is blessed with abundant natural resources such as wind, solar, geothermal, hydro, biofuels, and ocean energy. While wind and especially solar contributions to the energy portfolio are now commercial and have grown significantly, other options like ocean energy have the potential to significantly contribute to the supply of base load / firm / constant renewable power, but are worryingly underrepresented. These alternative options are at the same place solar and wind was 25 years ago, and require R&D to reach the same level of maturity and commercialization.

Makai is currently performing R&D and working towards commercialization of ocean thermal energy conversion (OTEC) at the Natural Energy Laboratory of Hawai`i Authority (NELHA) in Kailua-Kona. Makai employs six highly-paid, highly-skilled engineers and scientists in the high tech / renewable energy field in rural Kailua-Kona. This program has achieved a huge milestone of connecting to the grid, making Hawai`i the home of the first US-grid-connected OTEC plant, and the clear leader in ocean thermal energy. Plans are in the works for new developments to move this technology even further, including research and development on patent pending heat exchangers that will not only help OTEC achieve commercial adoption, but increase the efficiencies in traditional power generation systems and enable other energy harvesting technologies such as concentrated solar power and heat recovery systems.

Governor David Ige was present to dedicate the OTEC power plant and 'flip the switch,' and in his keynote address he said, "One big difference with OTEC is that it is a firm power



source; it allows us to generate electricity consistently... and in the evening hours when other renewable sources are not available, which really is the key to a 100% renewable future.”

With the help of programs like this bill, Makai has been able to secure additional competitively awarded federal funding from the U.S. Navy, U.S. Air Force, U.S. Army, and the Department of Energy, and bring home national honors, such as the Small Business Administration’s Tibbetts Award. This national award recognizes the very best in small innovative companies in the country whose technologies have made a strong economic impact in terms of high paying jobs, and demonstrating success in actually commercializing federal R&D and increasing taxable revenue for the state.

This is why we **STRONGLY SUPPORT SB3205**. Not only would this program develop alternative energy technology for our 100% renewable future, it would enable our tech industry to compete and win more federal monies for technology development and support high-paying, highly-skilled professional jobs for our keiki here at home.

Thank you for the opportunity to testify.

SB-3205

Submitted on: 2/18/2022 11:01:10 AM

Testimony for WAM on 2/23/2022 10:00:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Ann Chung	Individual	Support	No

Comments:

Aloha Chair & Committee members:

I strongly support SB3205. This was an effective program that HTDC has already administered in the past but is currently not funded. This program supports local companies doing renewable energy research and leverages federal funding helping these companies pursue even more federal grants. The program supports the economy by keeping high-paying, high-skilled jobs and keeping revenues in Hawaii, while furthering the State's commitment to renewable energy and supporting businesses.

Mahalo!