

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

LUIS P. SALAVERIA

MARY ALICE EVANS DEPUTY DIRECTOR

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Statement of LUIS P. SALAVERIA Director

Department of Business, Economic Development, and Tourism before the

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TOURISM, AND TECHNOLOGY

Monday, March 13, 2017 1:15 PM State Capitol, Conference Room 414

in consideration of

HB 1327, HD1

RELATING TO THE HIGH TECHNOLOGY DEVELOPMENT CORPORATION.

Chair Wakai, Vice Chair Taniguchi and Members of the Committee. The Department of Business, Economic Development, and Tourism (DBEDT) **supports** HB1327, HD1, which continues funding for the growth and operation of the High Technology Development Corporation's (HTDC) Manufacturing Development Program provided that its passage does not replace or adversely impact priorities indicated in our Executive Budget.

HTDC, along with DBEDT's Foreign-Trade Zone Division, support local manufacturers through programs and infrastructure which lead to the growth and development of Hawaii-made products. Due to its remote location, Hawaii must constantly work to lower the cost of consumer goods in the State while stimulating economic growth through exports of locally-made products. The manufacturing industry provides for import substitution products and the production of exported goods which stimulates economic growth and creates jobs.

Local manufacturers are also the key driver to an innovative economy with their ongoing development of cost-effective methods, new technologies and their creation of export products which allow Hawaii to compete in a global market. There are over 700 companies in Hawaii who are active manufacturers. These companies in turn contribute nearly \$1.7 billion in manufactured goods which are exported outside of Hawaii. Many of these manufacturers are considered small companies which are the backbone of the State's economy and contribute greatly to Hawaii's economic growth and stability.

In fiscal year 2016, HTDC awarded over \$1.9 million to 51 Hawaii companies who, in turn, invested \$31.4 million of their own monies toward the growth and development of their products and technologies. The result was the addition of 363 new jobs, 70 of these earning

more than \$80,000 a year, and over 260 jobs saved. These awards were made to companies statewide and in a variety of industries including food, beverage, chemicals and plastics.

Interest for this manufacturing grant program remains high, and due to the program's 20 percent reimbursement-\$100,000 cap structure, companies must put a significant amount of capital forward prior to the grant award and therefore have a vested interest in the success of the venture and a commitment in the growth of their business in Hawaii.

DBEDT believes that this grant program provides the seeds for positive economic growth and continued job creation for the State.

Thank you for the opportunity to provide these comments.

Testimony to the Senate Committee on Economic Development, Tourism, and Technology Monday, March 13, 2017 at 1:15 P.M. Conference Room 414, State Capitol

RE: HOUSE BILL HB 1327 HD1 RELATING TO THE HIGH TECHNOLOGY DEVELOPMENT CORPORATION

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

The Chamber of Commerce Hawaii ("The Chamber") **strongly supports** HB 1327 HD1, which appropriates funds for the Manufacturing Development Program.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ 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 supports this bill that continues the manufacturing grant program, which has become a positive resource to aid companies with their investments for manufacturing equipment, training of their employees on newly purchased equipment, energy efficiency, and feasibility studies. We believe that the continuation of this program will help fuel manufacturing in Hawaii to grow and provide more products for both local consumption and export. There is movement to begin to manufacture more back in the U.S. At the same time, Hawaii still has some competitive disadvantages. This bill will help companies in Hawaii to start or grow their operations.

In Hawaii there are over 700 active manufacturers in the state that employ almost 14,000 people and contribute to the overall state economy. In 2015 Hawaii manufacturers helped our state's economy by contributing nearly \$1.7 billion in manufactured goods exported outside of Hawaii.

The grant program supports the industry by increasing production and economic activity. According to the High Technology Development Corporation's Innovate Hawaii, the agency that administers the grant, they gave out approximately \$1.9 million in grant funding that spurred over \$31 million in private investment. We believe that this is worthwhile and financially smart investment for state funding.

Thank you for the opportunity to testify.



2800 Woodlawn, Ste. 100 808-539-3806 Honolulu, Hawaii 96822 www.htdc.org

Written Statement of Robbie Melton

Executive Director & CEO
High Technology Development Corporation
before the

Senate Committee on Economic Development, Tourism, and Technology

Monday, March 13, 2017 1:15 p.m. State Capitol, Conference Room 414

In consideration of HB1327 HD1
RELATING TO THE HIGH TECHNOLOGY DEVELOPMENT CORPORATION.

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

The High Technology Development Corporation (HTDC) **supports** HB1327 HD1 that appropriates funds for the Manufacturing Development Program.

HTDC supports local manufacturers through our INNOVATE Hawaii program which was recently awarded \$2.5 million (\$500k a year over 5 years) in federal funding by the U.S. Department of Commerce, National Institute of Standards and Technology's (NIST) to continue the Manufacturing Extension Partnership (MEP) program.

The Hawaii manufacturing industry provides export and import substitution opportunities to improve our economy and has been identified nationally as a key driver for innovation. Hawaii manufacturers face the additional challenge of the high cost of energy and shipping. The grant program can assist to make the manufacturers more competitive.

In 2015, the legislature appropriated \$2 million to establish a manufacturing grant program and in 2016, appropriated \$1 million to continue the program in the current fiscal year.

In FY16, the first year of the program, HTDC awarded \$1.9 million to 51 companies who invested \$31.4 million of their own money into growing their businesses. There were a total of 69 applicants. The projected economic impact of the program, as reported by the applicants, was 363 new employees, 70 earning over \$80k per year, and 266 jobs saved.

45% of the funding was awarded to food manufacturers, 20% to beverage and tobacco, 13% to chemical, plastics, etc. 29 awards were made in City and County of Honolulu, 7 in Maui County, 6 in Hawaii County, and 9 in Kauai County.

Based on the recent HTDC 2016 Economic Impact Survey, manufacturers that benefited from this program had an estimated \$515 million of economic impact, earned \$121 million, generated \$21 million of state tax, and provided 1,984 jobs last year.

Interest in the program remains high and HTDC anticipates awarding all of the \$1 million fiscal year 2016-2017 appropriated funds. HTDC suggests that \$1.5 million is an appropriate annual budget for the program based on the current application activity. HTDC believes this program provides leverage and positive economic development value for the State.

We respectfully request correction of the defective effective date. 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.



P.O. Box 253, Kunia, Hawai'i 96759 Phone: (808) 848-2074; Fax: (808) 848-1921 e-mail info@hfbf.org; www.hfbf.org

March 13, 2017

HEARING BEFORE THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TOURISM AND TECHNOLOGY

TESTIMONY ON HB 1327, HD1 RELATING TO THE HIGH TECHNOLOGY DEVELOPMENT CORPORATION

Room 414 1:15 PM

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

I am Randy Cabral, President of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,900 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interests of our diverse agricultural community.

HFB **strongly supports HB 1327**, **HD1**, which appropriates funds for the Manufacturing Development Program.

The strength of Hawaii's economy is dependent upon a diversity in commerce that are resilient to economic downturns and aggressive in creating new opportunities for growth. This program complements other programs in DBEDT to accomplish such a goal.

A major weakness in agriculture is our lack of value added production. Our over dependence on sale of fresh goods makes us especially vulnerable to weather and pest outbreaks while strict quarantine measures and transportation costs of heavy goods make exports difficult. This measure creates incentives for value added manufacturing. Farmers like to farm. They are not experts in value-added production. Partnerships with the manufacturing sector could help us in this area.

For example, beef. Maui has a new product called Maui Crisps. It is a popular "omiyage" gift. The owner had difficulty meeting demand and recently expanded his operations. This provides a value-added product to our cattle industry, is portable and light -- perfect for suitcase exports and is shelf stable, not requiring refrigeration. Products like this can pull agricultural expansion supportive of our State's policy for increased agricultural production.

We need to expand other agricultural value added production capacities and this measure is a critical opportunity to achieve this goal.

HFB respectfully requests your **strong support of HB 1327,HD1** complementing DBEDT programs to grow Hawaii's economy and improve its' resilience during economic downturns.

HAWAII COFFEE COMPANY

1555 Kalani Street Honolulu, Hawaii 96817 Ph: 808-847-3600 Fax: 808-847-7900 www.hicoffeeco.com



Written Testimony of Daniel Dinell President, Hawaii Coffee Company

before the

Senate Committee on Economic Development, Tourism, & Technology
March 13, 2017, 1:15 pm
State Capitol, Conference Room 414

RE: HB1327 HD1 "A BILL FOR AN ACT RELATING TO THE HIGH TECHNOLOGY DEVELOPMENT CORPORATION"

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

Hawaii Coffee Company **supports** HB1327, which appropriates funds to the High Technology Development Corporation (HTDC) for the Manufacturing Development Program.

Hawaii Coffee Company has been in the coffee roasting business since 2000 and today is the world's largest roaster of Kona Coffee. Our 100 plus employees at our plant in Kalihi and other locations around the State earn a livelihood milling, roasting, packing, distributing, and retailing coffee. We have a major retail presence throughout Hawaii, are a leading provider of coffee to Hawaii hotels and restaurants and export our products around the globe.

One of the most surprising things I've learned since assuming the role leading this company in June 2015 is how the Legislature is providing funds for State entities such as HTDC, DOA and DBEDT to support Hawaii-based manufacturers. My company and our employees have benefited from this support and it has made us even more bullish to invest more to increase our manufacturing capacity and add jobs. This kind of grant program is important to leverage dollars by encouraging investment and growth, especially export-oriented, to further strengthen and diversify Hawaii's economy. We believe the Return on Investment makes this initiative very worthy of your support.

Mahalo for your continued support of manufacturing in the State.

Statement of Bret Larson President Kauai Island Brewing Company before the

Committee on Economic Development, Tourism, and Technology

Monday, March 13, 2017 1:15 p.m. State Capitol, Conference Room 414

In consideration of HB1327 HD1
RELATING TO THE HIGH TECHNOLOGY DEVELOPMENT CORPORATION.

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

Kauai Island Brewing Company **supports** HB1327 HD1 that makes an appropriation for the continuation of the manufacturing grant program within the High Technology Development Corporation.

As a manufacturer of Craft Beer, in a very competitive industry we rely heavily on expensive stainless steel manufacturing equipment. Access to grants such as this would help defray the added cost of shipping product and equipment to Hawaii. In addition, it would allow manufacturers in our industry to further expand our businesses. thereby employing additional employees who would in turn add to the overall Hawaii Tax base.

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. Sinerely,

Bret Larson, President

Kauai Island Brewing Company



Statement of
David Y. Morikawa
Vice President - Operations

Testimony to the Committee on Economic Development, Tourism and Technology Monday, March 13, 2017 at 1:15 p.m. Conference Room 414, State Capitol

In consideration of HOUSE BILL 1327 HD1 RELATING TO THE HIGH TECHNOLOGY DEVELOPMENT CORPORATION

Chair Wakai, Vice Chair Taniguchi, and Members of the Committee on Economic Tourism and Technology:

The Aloha Shoyu Company, Ltd. **supports** HB1327 HD1 that makes an appropriation for the continuation of the manufacturing grant program within the High Technology Development Corporation.

According to the Chamber of Commerce of Hawaii, there are approximately 1,000 active manufacturers employing approximately 14,000 workers. Manufacturers 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.

According to the High Technology Development Corporation's Innovate Hawaii, they gave out approximately \$1.9 million in grant funding that spurred over \$31 million in private investment. We believe that this is a worthwhile and financially smart investment for state funding. 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



Executive Officers:
John Erickson, Young's Market Company -Chair
Beau Oshiro, C&S Wholesale - Vice Chair
Toby Taniguchi, KTA Superstores - Secretary/Treasurer
John Schilf, Rainbow Sales and Marketing - Advisor
Stan Brown, Acosta - Advisor
Paul Kosasa, ABC Stores - Advisor
Barry Taniguchi, KTA Superstores - Advisor
Derek Kurisu, KTA Superstores - Immediate Past Chair
Lauren Zirbel, Executive Director

1050 Bishop St. PMB 235 Honolulu, HI 96813 Fax: 808-791-0702 Telephone: 808-533-1292

TO: COMMITTEE ON ECONOMIC DEVELOPMENT, TOURISM & TECHNOLOGY Senator Glenn Wakai, Chair Senator Brian Taniguchi, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION

Lauren Zirbel, Executive Director

DATE: Monday, March 13, 2017

TIME: 1:15 p.m.

PLACE: Conference Room 414

RE: HB1327, HD1 (High Technology Development Corporation)

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.

This bill's continuation of the manufacturing grant program will complement existing efforts in building and diversifying our economy; keeping more dollars in Hawaii; decreasing our dependence on imports; and growing and strengthening the Made in Hawaii brand.

Research has shown that a diversified economy and a business-friendly tax climate are key factors in keeping unemployment low. This bill allows manufacturers in our state to continue to grow their businesses and incentivizes production in Hawaii. This means more jobs and a stronger economy for the entire state.

Increasing manufacturing will also mean we are less reliant on imported goods. Hawaii currently imports over 90% of the products used in the state. This reliance leaves us vulnerable to potential supply chain interruptions, adds shipping cost to almost every product and sends millions of dollars per year out of the state- millions of dollars that could be spent and reinvested here. Importing less and manufacturing more could have a wide reaching positive impact on everyone- from manufacturers to consumers.

This bill will also open the door for more products to earn the proud distinction of being "Made in Hawaii." Hawaii made products have a worldwide reputation for quality and excellence and are in

demand both within the state and abroad. Extending the grant program will help our manufacturing industry meet that demand while concurrently growing and expanding our economy.

For these reasons, we ask that you please vote yes on this measure.

Thank you for the opportunity to testify.



Statement of Duke Hartman Vice President, Business Development Makai Ocean Engineering, Inc.

before the

COMMITTEE ON ECONOMIC DEVELOPMENT, TOURISM, AND TECHNOLOGY

Monday, March 13th, 2017 1:15 p.m. State Capitol, Conference Room 414

In consideration of HB1327 HD1

RELATING TO THE HIGH TECHNOLOGY DEVELOPMENT CORPORATION.

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

Makai Ocean Engineering, Inc. **supports HB1327** that makes an appropriation for the continuation of the manufacturing development program within the High Technology Development Corporation (HTDC).

Makai Ocean Engineering, Inc. has historically been an engineering services provider, but now, with the help of the State's current manufacturing assistance program, Makai is diversifying into low-volume manufacturing. Makai has been involved in marine-related engineering in Hawaii for over 44 years, and recently began a marine heat exchanger R&D program. Now, we are in the process of building a small manufacturing plant for marine heat exchangers on the Big Island of Hawaii, which is sustaining approximately 6 highly-skilled, high-paying STEM / engineering jobs in rural Kona. We have a strategic advantage for developing and manufacturing low-volumes of these components in Hawaii for two reasons: the U.S. Navy's presence in Hawaii, and Makai already owns and operates a marine heat exchanger test facility and marine corrosion lab on the Big Island.

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. Because they are matching funds, a manufacturer is eligible only if they are already making an investment in the local community and providing jobs. The program amplifies these efforts, and shows the State's support for local manufacturers willing to make the investment and commitment to growing their businesses in Hawaii and growing the industry.

Thank you for the opportunity to offer these comments.



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

Before the

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TOURISM AND TECHNOLOGY

March 13, 2017 1:15 PM

State Capitol, Conference Room 414
In Support of

HB1327 REALTING TO THE HIGH TECHNOLOGY DEVELOPMENT CORPORATION

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

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

Re: Testimony in Support of HB1327

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony IN SUPPORT of HB1327.

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. Many of our technologies are ready for commercialization and hope to manufacture our technologies here in Hawaii.

This bill will allow Hawaii companies to keep the manufacturing of their products here in Hawaii. In turn, there will be job creation and long term investments for the people of Hawaii.

Oceanit is committed to manufacturing technology in the State of Hawaii.

Therefore, we SUPPORT HB1327.



Meadow Gold Dairies



HB1327hd1, Relating to Hawaii Technology Development Corporation Sen ETT Committee March 13, 2017 1:15 pm, Room 414 Written Testimony By: Glenn Muranaka

Position: Support

Chair Wakai and Members of the Sen ETT Committee:

My name is Glenn Muranaka, President and General Manager of Meadow Gold Dairies. Our company has been in Hawaii since 1897—120 years, providing Hawaii consumers with a variety of milk products and juices. Meadow Gold's long history has not come without effort. We continually adapt to our customers' and consumers' ever-changing needs, and we constantly evolve along with our industry, our community and our market. Over the years, this has required that we struggle, tighten our belts, innovate and work extremely hard, making us a better company in the process. The foundation of this work rests with the 330 employees that are committed to providing superior quality products.

Manufacturers in Hawaii have certain challenges that are the result of being an island-State. Nonetheless, there are approximately 1000 active manufacturers in the state that employ almost 17,000 people. Manufacturers helped Hawaii's economy by contributing nearly \$570 million in manufactured goods exported in 2012.

The continuation of funding of the manufacturing grant program will contribute to the growth and stability of local manufacturers.

Your support of this measure is appreciated. Thank you for the opportunity to submit testimony.

HB1327hd1, Relating to Hawaii Technology Development Corporation Sen ETT Committee March 13, 2017 1:15 pm, Room 414 Written Testimony By: Dexter Yamada

Position: Support

Chair Wakai and Members of the Sen ETT Committee:

I am Dexter Yamada, President of KYD, Inc. dba: K Yamada Distributors. Our company is a locally founded, family run business in Kalihi. KYD, Inc. began in the 1940's as a florist and a supplier of florist supplies. In 1958 we evolved into the packaging company we are today and later expanded into a distributor of many other fine products. KYD, Inc and its sister company, Hawaii Foam Products, LLC provide jobs to 100 men and women and contribute much to Hawaii's economy in the form of payroll and taxes. We locally manufacture and distribute food-grade expanded polystyrene food containers throughout the State.

Appreciation is expressed for this measure that continues to recognize that local manufacturers make finished products in Hawaii, provide employment and contribute to the State's economy.

It encourages local manufacturers to make the commitment to grow their business in Hawaii.

Please support this bill. Thank you for the opportunity to testify.







From: mailinglist@capitol.hawaii.gov
Sent: Friday, March 10, 2017 4:11 PM

To: ETT Testimony

Cc: achung@navatekltd.com

Subject: *Submitted testimony for HB1327 on Mar 13, 2017 13:15PM*

HB1327

Submitted on: 3/10/2017

Testimony for ETT on Mar 13, 2017 13:15PM in Conference Room 414

Submitted By	Organization	Testifier Position	Present at Hearing
ann chung	Individual	Support	No

Comments:

Please note that testimony submitted <u>less than 24 hours prior to the hearing</u>, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov

Hawaii Fish Company (HFC), a family-owned North Shore Oahu aquaculture farm, testifies in strong support of HB1327 HD1 which would appropriate funds for the continuation of the Hawaii manufacturing development grant program administered by the High Technology Development Corporation (HTDC). HFC is currently developing value-added aquafarm products with support from a USDA/SBIR Phase II research and development grant and a Hawaii SBIR Phase II matching grant.

Once our current SBIR Phase II R&D efforts are complete, we will move forward with Phase III commercialization. This will include the development of manufacturing infrastructure for the preparation of refrigerated and/or shelf-stable value added seafood products. The continuation of this supportive manufacturing development grant program would provide HFC a much needed cost sharing opportunity to enable our small company to take this important commercialization step which, in turn, will enable us to support increased rural employment, seafood production, and sales.

In summary, the manufacturing support potentially available to our company through this HTDC program has already been successfully provided to many other local manufacturing companies for the past two years. With the manufacturing development grant program's positive track record, HFC feels strongly that this program is worthy of continued State support. As such, we strongly support HB1327 HD1.

Committee on Economic Development, Tourism, and Technology Monday, March 13th, 2017, 1:15pm State Capitol, Conference Room 414

Re: SUPPORT for HB1327, RELATING TO THE HIGH TECHNOLOGY DEVELOPMENT CORPORATION

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

I would like to personally submit my support for HB1327 that appropriates funds for the "Manufacturing Development Program" under HTDC. As an individual wishing to start a local value added Ag manufacturing business and planned investment in the state. This would help create business opportunities for various businesses including my own to bring manufacturing and skilled labor back to Hawaii.

As I open my Coffee Roasting business I will have the opportunity to work with and support our local agriculture. Hawaii coffee has faced many challenges with pest and disease and needs the support of roasters, cafes, and consumers to help prevent further damage to our crops. I plan with growth to work on sustainability and practical harvesting methods with farmers. Creating this relationship allows our company to grow locally with the success of the farmers. We are currently investing in an Loring Eco Smart Roaster that consumes 2/3 less fuel than other conventional coffee roasters. Every bit of support we can get is crucial to our success as a truly local 100% Hawaii grown company.

I support this program and it's passage would show 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 share these comments.

Sincerely,

Heather Brisson-Lutz