

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 1001, S.D. 1

February 26, 2015

RELATING TO MANUFACTURING

Senate Bill No. 1001, S.D. 1, establishes the Hawaii Manufacturing Capital Program to be administered by the High Technology Development Corporation to provide loans to Hawaii-based companies to purchase manufacturing equipment. The bill also establishes the Hawaii Manufacturing Capital Revolving Fund and appropriates monies for the revolving fund.

The Department of Budget and Finance (B&F) defers to Department of Business, Economic Development and Tourism regarding the merits of the bill. However as a matter of general policy, B&F does not support the creation of any special fund which does not meet the requirements of Section 37-52.3 of the HRS. Special or revolving funds should: 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program; 2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. In regards to Senate Bill No. 1001, S.D. 1, it is difficult to determine whether the fund will be self-sustaining.

I encourage the Legislature to review the fiscal and operational plan for this program to ensure that it conforms to the requirements of Section 37-52.3, HRS.



Executive Officers:

John Schilf, RSM Hawaii - Chairperson
Derek Kurisu, KTA Superstores - Vice Chair
Lisa DeCoito, Aloha Petroleum - Treasurer
John Erickson, Frito-Lay - Secretary
Lauren Zirbel, Executive Director

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TO:
COMMITTEE ON WAYS AND MEANS
Senator Jill N. Tokuda, Chair
Senator Ronald D. Kouchi, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: February 26, 2015
TIME: 9am
PLACE: Conference Room 211

RE: SB1001

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 would help grow and diversify our economy, keep more dollars in Hawaii, decrease our dependence on imports, and grow and strengthen the Made in Hawaii brand.

This bill could allow current manufacturers in our state to grow their businesses and can open the door for even more production here in Hawaii. This means more jobs and a stronger economy for the entire state. This bill is an important investment in Hawaii businesses, and by allowing loans for training and energy efficiency improvements it is also an investment in Hawaii's future. This bill can help create a well-trained work force with diverse skills and a manufacturing economy that is eco-friendly and efficient.

Giving Hawaii businesses the opportunity to increase manufacturing will also mean we are less reliant on imported goods. We currently import over 90% of the products we use here in the state. This situation leaves us vulnerable to any supply chain interruptions, adds shipping cost to almost all goods, and sends millions of dollars a year out of the state. Importing less and making more can have wide reaching positive impacts for everyone from the manufacturers to the consumers.

This bill will also open the door for more products to earn the distinction of being Made in Hawaii. The products we currently make here in the state have a worldwide reputation for quality and excellence. There is strong demand both in and out of the state for more products of that high caliber, and this bill can help grow our manufacturing industry to meet that demand.

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

Thank you for the opportunity to testify.

Written Statement of
ROBBIE MELTON
Executive Director & CEO
High Technology Development Corporation
before the
SENATE COMMITTEE ON
WAYS AND MEANS

Thursday, February 26, 2015
9:00 a.m.
State Capitol, Conference Room 211
In consideration of

SB1001 SD1 RELATING TO MANUFACTURING.

Chair Tokuda, Vice Chair Kouchi, and Members of the Committee on Ways and Means.

The High Technology Development Corporation (HTDC) **Strongly supports** SB1001 SD1 relating to Manufacturing.

HTDC supports local manufacturers through our INNOVATE Hawaii program which annually receives \$500,000 of federal funds from the Department of Commerce National Institutes for Standards and Technology. The Hawaii manufacturing industry receives limited support from the state. There are approximately 1,000 manufacturers in Hawaii. The 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 loan program can provide financing options to make Hawaii manufacturers more competitive.

HTDC supports incentives for manufacturers to improve their capacity - reducing Hawaii's imports and increasing exports. The structure of the program allows the success of the program to be effectively measured and reported. The program also allows some of the State's investment to be recaptured and sustain the program.

Thank you for the opportunity to offer these comments.



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

Before the
SENATE COMMITTEE ON WAYS AND MEANS
February 26, 2015
9:00 AM
State Capitol, Conference Room 211
In Support of
SB1001 REALTING TO MANUFACTURING

To: Chair Tokuda, Vice Chair Kouchi, and Members of the Committee
From: Dr. Patrick K. Sullivan, President/CEO
Re: Testimony in Support of SB1001

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony **in support of SB1001**.

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 encourage 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 SB1001.



**Testimony to the Senate Committee on Ways and Means
Thursday, February 26, 2015 at 9:00 A.M.
Conference Room 211, State Capitol**

RE: SENATE BILL 1001 SD1 RELATING TO MANUFACTURING

Chair Tokuda, Vice Chair Kouchi, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **supports** SB 1001 SD1, which establishes the Hawaii manufacturing capital program and revolving fund and appropriates funds to the Hawaii manufacturing capital revolving fund.

The Chamber is the largest business organization in Hawaii, representing about 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

While we appreciate the prior committee's language, we prefer the original language in SB 1001, which provides grants rather than loans to manufacturers. The grant program is similar to a credit program, but allows the legislature more control and oversight on the amount of funds distributed and what the projected effects will be. We understand the prior committee's desire to create a more sustainable model, but we believe that a granting system will provide greater impact to manufacturers. Also, the granting program is more restricted as it sets appropriation limits, unlike many other tax credits.

According to the National Association of Manufacturers, every new manufacturing job created adds another 1.6 jobs to the local service economy, and for every dollar in manufacturing sales, another \$1.34 is added to the economy. Investments in manufacturing have a stronger impact than investments in most other economic sectors. This program will allow the state to provide direct support to manufacturing companies in Hawaii to help grow the industry. On average, manufacturing companies have higher compensation over other private sector non-farm jobs at about \$6,000 more per year.

The Chamber is committed to working together with others in the business and innovation community to grow Hawaii's manufacturing sector and the economy.

Thank you for the opportunity to testify.



KYD, Inc. dba k. yamada distributors

An independent leader in packaging and wholesale distribution

P.O. BOX 29669, Honolulu, Hawaii 96820 Phone: (808) 836-3221 Fax: (808) 833-8995

SB1001sd1, Relating to Manufacturing
Senate WAM Committee – Thursday, February 26, 2015
9:00 am - Room 211
Written Testimony by: Dexter Yamada
Position: Support Intent, Prefer HB1454hd1

Chair Tokuda and Members of the Senate WAM Committee:

I am Dexter Yamada, President of KYD, Inc. dba: K. Yamada Distributors. KYD, Inc. is a local family run business that originated in the 1940's as a florist and florist supply distributor, and in 1958, evolved into a packaging company. Today, KYD, Inc and its sister company, Hawaii Foam Products, LLC, employ about 90 to 100 employees and contribute to Hawaii's economy through taxes and payroll. Our companies manufacture packaging materials such as food-grade EPS (Expanded Polystyrene) food containers, and distribute a variety of supplies, to include compostable containers, for food processors, food establishments, supermarkets, hotels hospitals and other institutions.

We appreciate this measure that supports Hawaii's manufacturing industry. The proposed SD1 is a thoughtful and comprehensive approach to assisting local manufacturers, of which contribute to import replacement and help with local job creation.

However, it is not as helpful to established local manufacturers. In our situation, we are able to obtain loans from our bank at very good rates. In addition, the bill proposes a limit of 20% of cost which means manufacturers would still need other financing for the balance of qualified manufacturing equipment or purpose. HB1454hd1, which offers a temporary tax credit, is supported as it provides a practical cost offset for local manufacturers.

Thank you for the opportunity to testify.



WILL CALL, G&A, AND WAREHOUSE OFFICES: 2949 Koapaka Street, Honolulu, Hawaii 96819-1923 Phone: (808) 836-3221 Fax: (808) 833-8995



Meadow Gold Dairies



SB 1001sd1, Relating to Manufacturing
Senate WAM Committee
Thursday, February 26, 2015
9:00 am, Room 211
Written Testimony By: Glenn Muranaka

Position: Support Intent

Chair Tokuda and Members of the Senate WAM Committee:

My name is Glenn Muranaka, President and General Manager of Meadow Gold Dairies. Our company has been in Hawaii since 1897—118 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.

There are approximately 1000 active manufacturers in the state that employ almost 17,000 people at an average compensation rate of \$42,896 or over \$6,000 more than the average private non-farm employee. Manufacturers helped Hawaii's economy by contributing nearly \$570 million in manufactured goods exported in 2012.

There is movement to begin to manufacture more in the continental United States. At the same time, Hawaii still has some competitive disadvantages. The intent of SB1001sd1 is supported and the ongoing discussion is appreciated. However, Meadow Gold prefers HB1454hd1, which proposes a tax credit to assist Hawaii manufacturers.

Thank you for the opportunity to submit testimony.

SB1001

Submitted on: 2/24/2015

Testimony for WAM on Feb 26, 2015 09:00AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Kalawai'a Goo	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, 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.

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