



Written Statement of
Robbie Melton
Executive Director & CEO
High Technology Development Corporation
before the
House Committee on Finance
Tuesday, February 28, 2017
1:00 p.m.
State Capitol, Conference Room 308

In consideration of
HB1449 HD1
RELATING TO INNOVATIVE BUSINESS INTERACTION.

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

The High Technology Development Corporation (HTDC) **supports** HB1449 HD1 that establishes the impact loan fund for Hawaii (HI-impact loan program) in the High Technology Development Corporation to support small businesses with innovative technology.

As part of HTDC's vision to create 80,000 new innovation jobs in Hawaii earning \$80,000 or more by 2030, HTDC supports initiatives aimed at promoting technology and innovation jobs.

The proposed impact loan program fills a critical void with the capital required for many technologies to advance to market and achieve profitability. The program requires companies to secure a commitment from a paying customer to be eligible. This ensures the product the company is developing has an immediate customer and reduces the risk of providing the loan.

The convertible debt is a proven effective financing structure to move technologies further along the commercialization pathway, increase the company's valuation, and lead to follow-on investment for further growth while providing the state opportunity to financially benefit from the success of the company and recoup some capital to sustain the program. The financing structure allows for risk capital to be applied with a balance of economic development and venture capital objectives, which means loans may be provided to companies suited to grow and remain in Hawaii instead of exclusively funding high growth opportunities. In addition, the program's success relies on the impact loan program administrator providing mentorship to the companies.

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.

DAVID Y. IGE
GOVERNOR



WESLEY K. MACHIDA
DIRECTOR

LAUREL A. JOHNSTON
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
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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 WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 1449, H.D. 1

February 28, 2017
1:00 p.m.
Room 308

RELATING TO INNOVATION BUSINESS INTERACTION

House Bill No. 1449, H.D. 1, establishes the Impact Loan Fund for Hawaii (HI-Impact Loan Program) in the High Technology Development Corporation to support dual-use technology small businesses; establishes the HI-Impact Special Fund (HISF); and appropriates an unspecified amount of general funds for FY 18 and FY 19 to be deposited into the HISF.

As a matter of general policy, the Department of Budget and Finance does not support the creation of any special fund which does not meet the requirements of Section 37-52.3, HRS. Special funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. In regards to House Bill No. 1449, H.D. 1, it is difficult to determine whether the proposed special fund would be self-sustaining.

Thank you for your consideration of our comments.



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

Before the
HOUSE COMMITTEE ON FINANCE

February 28, 2017
1:00 p.m.
Conference Room 308

HB1449 RELATING TO INNOVATION BUSINESS INTERACTION

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

From: Dr. Patrick Sullivan, President/CEO

Re: Testimony in **SUPPORT** of HB1449

Honorable Chairs, Vice-Chairs and Committee Members:

Thank you for the opportunity to submit testimony in **SUPPORT of HB1449**

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.

In this twenty first century global economy, the creation and growth of technology companies is crucial for the State of Hawaii. It has been proven that through various federal funding sources, Hawaii companies have demonstrated the ability to develop “disruptive technologies” for the U.S. Department of Defense. However, the ability to take disruptive technologies to the next level or for dual use, ie, tourism industry, agriculture industry, sports industry, finance industry, building and construction industry and other industries, has been a challenge. Federal R&D funding is restricted to research and development activities, i.e., no marketing or commercialization activities allowed. Furthermore, only a small percentage of tech businesses are venture fundable. So how do we help the majority of Hawaii technology companies who are stuck in the “ditch” between research and product realization?

HB2219, which establishes the commercialization loan program for commercialization (HI-impact) will assist Hawaii startups, such as Blue Startups, XLR8UH, and companies in the fields of dual-use technologies. In addition, it will support the market transformation of technologies from the tech, agriculture, tourism, software, creative media, and defense sectors to name a few. In return, the State will benefit from tax revenues, job creation and economic growth.

We strongly urge you to support HB1449 and appreciate your continued support of the technology industry.



From: mailinglist@capitol.hawaii.gov
 Sent: Monday, February 27, 2017 8:46 PM
 To: FINTestimony
 Cc: hawaiiifishingfanatic@gmail.com
 Subject: *Submitted testimony for HB1449 on Feb 28, 2017 13:00PM*

HB1449

Submitted on: 2/27/2017

Testimony for FIN on Feb 28, 2017 13:00PM in Conference Room 308

| Submitted By | Organization | Testifier Position | Present at Hearing |
|--------------|--------------|--------------------|--------------------|
| Don Aweau | 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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