

DAVID Y. IGE
GOVERNOR



WRITTEN ONLY

WESLEY K. MACHIDA
DIRECTOR

RODERICK K. BECKER
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

**STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE**

P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

**TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
HOUSE BILL NO. 2219, H.D. 1, S.D. 1**

March 29, 2016
9:30 a.m.

RELATING TO INNOVATION BUSINESS INTERACTION

House Bill No. 2219, H.D. 1, S.D. 1, establishes the Impact Loan Fund of Hawaii (HI-impact) loan program in the High Technology Development Corporation to support dual-use technology small businesses and the HI-impact Special Fund, and appropriates funds.

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. 2219, H.D. 1, S.D. 1, it is difficult to determine whether the proposed fund would be self-sustaining.



**Testimony to the Senate Committee on Ways and Means
Tuesday, March 29, 2016 at 9:30 A.M.
Conference Room 211, State Capitol**

**RE: HOUSE BILL 2219 HD1 SD1 RELATING TO INNOVATION BUSINESS
INTERACTION**

Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 2219 HD1 SD1, which establishes the impact loan fund of Hawaii (HI-impact) loan program in the High Technology Development Corporation to support dual-use technology small businesses and establishes the HI-impact special fund.

The Chamber is Hawaii's leading statewide business advocacy organization, 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.

The Chamber supports efforts to assist the high technology industry in Hawaii. This loan program would provide much needed assistance to grow the tech industry in Hawaii and create more jobs and incentives to keep local talent here. Of the many growing industries in Hawaii, the tech industry is one to focus on as it is the industry to continue to move Hawaii forward in this twenty-first century with innovation and development.

Thank you for the opportunity to testify.



Statement of
Robbie Melton
Executive Director & CEO
High Technology Development Corporation
before the
Senate Committee on Ways and Means
Tuesday, March 29, 2016
9:30 a.m.
State Capitol, Conference Room 211
In consideration of
HB2219 HD1 SD1
RELATING TO INNOVATION BUSINESS INTERACTION.

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

The High Technology Development Corporation (HTDC) **supports** HB2219 HD1 SD1 that establishes a loan program in the HTDC to support high-technology small businesses provided that its passage does not replace or adversely impact priorities indicated in the Executive Budget.

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 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. Furthermore, the 10% secured contract or purchase order ensures the technology development has a customer and a clear path to future revenue.

Thank you for the opportunity to offer these comments.