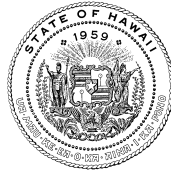


DAVID Y. IGE
GOVERNOR



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
SENATE BILL NO. 2504, S.D. 1**

February 25, 2016
9:30 a.m.

RELATING TO INNOVATION BUSINESS INTERACTION

Senate Bill No. 2504, S.D. 1, establishes: a loan program in the High Technology Development Corporation to support high-technology small businesses; a Hawaii Impact Loan Program for Commercialization 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 Senate Bill No. 2504, S.D. 1, it is difficult to determine whether the proposed fund would be self-sustaining.



Statement of
Robbie Melton
Executive Director & CEO
High Technology Development Corporation
before the
Senate Committee on Ways and Means
Thursday, February 25 2016
9:30 a.m.
State Capitol, Conference Room 211

In consideration of
SB2504 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 with requested amendments** SB2504 SD1 that establishes a loan program in the High Technology Development Corporation 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

Many of HTDC's suggested amendments were incorporated into SD1. After further discussion with stakeholders, HTDC offers the following suggested amendments to ensure the program connects technology development with the needs of the larger Hawaii business community:

- The name of the program is simplified to the Impact Loan Fund for Hawaii

- The list of eligible technologies is expanded to include life science, biomedical engineering and aerospace. These sectors are active in Hawaii.
- Manufacturing technology is removed from the list. Manufacturing technology describes the development of new manufacturing processes which is not a highly active sector in Hawaii. Removing it clarifies that the program is not targeting manufacturers.
- Reword Sport-technology to Ocean-Recreational-Technology
- Consider the interest rate specified in (d)(3) to be more competitive.
- Clarify that proposals are to be submitted to HTDC vs. Hi Impact administrator in (e)(1)
- Change the documentation that the companies are required to provide in (e)(2) is simplified to financials, pro formas, and a promissory note with provisions for other information required by the impact loan administrator.
- Add to section (e) requirements:
 - “Secure a contract or purchase order from a customer company equal to or greater than 10% of the convertible debt loan.” The secured contract ensures the technology development has a customer with quantifiable benefit that justifies the purchase.
 - “Submit a technical budgeted plan of work to meet the customer’s need.”
 - “Include a justification letter of commitment from the customer company explaining the business case as to how this will help their company and their commitment to purchase.”
- Add subsection (g) to allow HTDC to adopt rules pursuant to chapter 91 to implement the program.

Thank you for the opportunity to offer these comments.

Written Statement of

Aisis Chen

Instructor, Junior DEV League

CoFounder/Organizer, HIFashionTechnology

To: Chair Senator Jill Tokuda, Vice Chair Senator Donovan M. Dela Cruz and Members of the Committee

From: Aisis Chen, Creative Technologist

Re: Testimony in SUPPORT of SB2504

Honorable Chairs, Vice-Chairs and Committee Members:

Thank you for the opportunity to submit testimony in SUPPORT of SB2504.

I'm a local Chinese girl that was born and raised in Hawaii. I graduated from John A. Burns School of Medicine (JABSOM) in Biomedical Research in the emphasis of Tropical Medicine. I consciously didn't leave the islands because I realized why focus on global problems when we have local problems. We have tremendous social issues that revolves around the tourist industry. It sure wasn't easy maintain that mindset. There were no biotech jobs available after graduation. At the same time, I was very fortunate to sustain through 5-6 part-time gigs/jobs that doesn't so much relate to my field.

My first involvement with grassroots activism was through the experience of getting laws passed for anti-human trafficking via social media focus on mobile technology. I eventually got involved with the art, filmmaking and youth community when I was assisting to make Hawaii Women in Filmmaking a non-profit organization. I left the organization because I wasn't able to advance some programs due to the lack of a technology industry and resources.

Again, I didn't understand the reason and got involved with our tech community. Last year November, I did a tester FashionTech workshop by bringing over world-renowned pioneer Dutch FashionTech Designer, Anouk Wipprecht to instruct the workshop. The workshop was a success however it's very difficult to continue the efforts when the state doesn't support building these environments. FashionTechnology is an entire different field that requires interdisciplinary collaborations to create wearable technological products that serves a purpose. This SB2504 supports the growth of this field and it will provide a space for the younger generation that were born with these tools and methods.

My community strongly urge you to support SB2504 and we appreciate your continued support of the technology industry.