



Written Statement of
Robbie Melton
Executive Director & CEO
High Technology Development Corporation
before the
House Committee on Economic Development & Business
Wednesday, February 8, 2017
9:00 a.m.
State Capitol, Conference Room 309

In consideration of
HB911
RELATING TO ECONOMIC DEVELOPMENT.

Chair Nakashima, Vice Chair Keohokalole, and Members of the Committee on Economic Development and Business.

The High Technology Development Corporation (HTDC) offers **comments** on HB911 that establishes a program for companies to borrow and loan high technology equipment to be administered by HTDC.

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. Providing low-cost access to shared infrastructure can be an effective way to support tech companies.

In 2012, HTDC started a shared equipment pilot project at the Manoa Innovation Center with donated equipment. The project made some basic commonly used equipment available to the MIC tenants for a low monthly subscription fee under a "co-op" business model. After 2 years, the project was dropped due to limited membership and an immediate need for additional incubation office space. We offer the following comments from our experience:

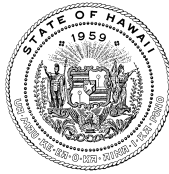
- 1) The basic equipment we provided was useful for members of the program.
- 2) The members did not use the equipment frequently. But when they needed it, they used it heavily over a few days, often working late at night.
- 3) Some companies that did not subscribe already owned similar equipment and preferred to work in their own office so they did not need to transport their projects.

- 4) Liability was mitigated through safety training and waivers. Risk of equipment damage and maintenance costs were minimal considerations as the equipment was donated and this was a pilot project.
- 5) More advanced equipment was requested but would require a higher level of training and would be more specialized with a narrower customer base. Also the membership costs would have to be increased to recover expenses and the additional space utilized. We had inquiries about making the equipment available for free. HTDC felt a low cost membership offered us better insight in establishing a sustainable program.
- 6) The 180 square foot room we used was too small. However, opportunity cost at the incubator was a consideration for HTDC. The cost of housing the equipment should not be overlooked when establishing a program unless an underutilized facility is identified and available. If the equipment is located on site at a private company, late night accessibility to the equipment and liability on its use should be considered. In our experience, a private company prefers to operate its own equipment which would require a contracting business model that would then be comparable in price to a contracted manufacturer.
- 7) HTDC felt that the project could have been more beneficial in partnership with UH to accomplish broader educational/workforce development goals. We explored potential partnerships with multiple groups who expressed an interest in access to the equipment but were unable to identify a group who could make any commitment to the program.
- 8) HTDC started this pilot project without any financial support which may have mitigated some of the challenges described.

HTDC comments that although the pilot project we started did not lead to a sustainable program, the experience offered us great insights into the requirements for shared resources. With additional partners and adequate funding, a shared equipment program would provide value to the tech companies.

Thank you for the opportunity to offer these comments.

DAVID Y. IGE
GOVERNOR



WESLEY K. MACHIDA
DIRECTOR

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DEPUTY DIRECTOR

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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 ECONOMIC DEVELOPMENT AND BUSINESS
ON
HOUSE BILL NO. 911

February 8, 2017
9:00 a.m.
Room 309

RELATING TO THE HIGH TECHNOLOGY DEVELOPMENT CORPORATION

House Bill No. 911 establishes a program for companies to borrow and loan high technology equipment to be administered by the High Technology Development Corporation (HTDC); establishes the High Technology Equipment Loan Program Special Fund (HTELPSTF); and appropriates an unspecified amount of general funds to be deposited into the HTELPSTF to be expended for implementation and administration of the loan program.

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. 911, it is difficult to determine whether the proposed special fund would be self-sustaining.

Thank you for your consideration of our comments.

keohokalole2 - Anthony

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 7, 2017 10:57 PM
To: edbtestimony
Cc: ikitajima@oceanit.com
Subject: Submitted testimony for HB911 on Feb 8, 2017 09:00AM

HB911

Submitted on: 2/7/2017

Testimony for EDB on Feb 8, 2017 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Ian Kitajima	Oceanit	Support	No

Comments: Oceanit SUPPORTS establishing a program for companies to borrow and loan high technology equipment. Most high tech gear/equipment sits idle, and no one company can afford to have every piece of gear. But without the right tools and equipment a company is limited in its ability to innovate. Mahalo for the opportunity to provide supporting testimony.

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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