



DAVID Y. IGE
GOVERNOR

MIKE MCCARTNEY
DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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Statement of
MIKE MCCARTNEY
Director

Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON WAYS AND MEANS

Thursday, February 21, 2019
10:00 AM
State Capitol, Conference Room 211

In consideration of
SB 989, SD1
**RELATING TO THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT,
AND TOURISM.**

Chair Dela Cruz, Vice Chair Keith-Agaran and Members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) thanks the Senate Committees on Energy, Economic Development, and Tourism and Technology for recommending the adjustments in the SD1 which appropriates funds for operating expenses for DBEDT.

We appreciate the overall concept of this bill as it includes initiatives supportive of our goals and objectives, provided that it does not adversely impact priorities indicated in our Executive Budget.

Thank you for the opportunity to testify.



DAVID Y. IGE
GOVERNOR

GWEN S. YAMAMOTO LAU
EXECUTIVE DIRECTOR

HAWAII GREEN INFRASTRUCTURE AUTHORITY

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Testimony of
Gwen Yamamoto Lau
Executive Director
Hawaii Green Infrastructure Authority (HGIA)
before the

SENATE COMMITTEE ON WAYS AND MEANS
Thursday, February 21, 2019 at 10:00 A.M.
State Capitol, Conference Room 211

in consideration of
SENATE BILL NO. 989, SD1
RELATING TO THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM

Chair Dela Cruz, Vice Chair Keith-Agaran and Members of the Committee:

Thank you for the opportunity to testify and offer comments on Senate Bill 989, SD1, relating to the Department of Business, Economic Development, and Tourism (BED). HGIA testifies **in support** of Senate Bill 989, SD1, which proposes to appropriate funds for the operating expenses of the Department of Business, Economic Development, and Tourism's designated programs. In addition to the appropriation out of its special fund for operations, HGIA is respectfully requesting a correction of the funding for fringe benefits of \$95,180 (instead of \$285,300) for FY19-20 and FY20-21.

Thank you for this opportunity to testify and offer comments for Senate Bill 989, SD1.



**HAWAII
STRATEGIC
DEVELOPMENT
CORPORATION**

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Statement of
Karl Fooks
President

Hawaii Strategic Development Corporation
before the
SENATE COMMITTEE ON WAYS AND MEANS

Thursday, February 21, 2019
10:00 AM
State Capitol, Conference Room 211

In consideration of
SB989 SD1
**RELATING TO THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT,
AND TOURISM**

Chair Dela Cruz, Vice Chair Keith-Agaran and members of the WAM Committee. The Hawaii Strategic Development Corporation (HSDC) supports SB 989 SD1 to the extent that it does not supplant the Governor's budget request. This bill appropriates funds for operating expenses of the Department of Business, Economic Development, and Tourism.

This bill adds resources to HSDC's venture capital investment program. In their report, "Hawaii Venture Capital 2010 to 2018", Startup Capital Ventures documented the growth in venture capital in Hawaii. The report concluded that that HSDC's investment program significantly increased deal flow from 2012 onward through its establishment of various accelerator programs and investment funds. HSDC's \$13 million investment over this period attracted nearly \$235 million of investment. This activity generated \$24 million of state tax revenue - more than offsetting HSDC's expenditures.

HSDC's role is to execute on the mission established in its authorizing statute, §211F-2 HRS: to **provide incentives** and **reduce the risks** of private investment in order to encourage economic development and stimulate private capital investments. HSDC's mission is to co-invest with the private sector to **strategically** to develop new growth sectors of the economy.

Thank you for the opportunity to testify.

HSDC ACCOMPLISHMENTS 2012-2018

Accelerators Establish Startup Ecosystem in Key Industry Sectors: Deploying the \$2 million Launch Akamai Venture Accelerator funding, HSDC helped establish accelerator programs in four key industry sectors: software, film and media, clean tech, and food innovation. UHERO's 2016 report, "Evolution of the HI Growth Initiative", concluded that HSDC leveraged state resources 11x and that HSDC's investment resulted in "the rapid growth in Hawaii based accelerators [that] may finally provide the necessary impetus to draw attention to entrepreneurship in the state, leading to further growth in venture capital, one of the necessary ingredients in a vibrant innovation ecosystem". HSDC supported accelerators achieved national recognition and are catalysts for their industry sectors through their mentor and investor networks, and the frequent community events they host to facilitate collaboration.

Continuum of Financing Creates Access to Startup Capital: HSDC's venture investment program helped to capitalize 6 funds spanning the pre-seed, seed and Series A stage of startup development. In their report, "Hawaii Venture Capital 2010 to 2018", Startup Capital Ventures documented the growth in venture capital in Hawaii. The report concluded that that HSDC's investment program significantly increased deal flow from 2012 onward through its establishment of various accelerator programs and investment funds. HSDC's \$13 million investment over this period attracted nearly \$235 million of investment. This activity generated \$24 million in state tax revenue and annual venture capital investment in the State is now averaging \$20 million a year. The US Treasury reported that Hawaii achieved 33x private capital leverage on its State Small Business Credit Initiative allocation, the highest in the nation.

Aquaculture Initiative to Jumpstart New Industry Sector: HSDC organized the first Statewide Aquaculture Summit, bringing together companies, researchers, investors, entrepreneurs and government agencies involved in Hawaii's aquaculture industry. The summit allowed the industry to articulate areas of strength, areas needing support, and recommendations on how to further develop the industry. This effort led to the successful funding for an aquaculture accelerator to be located at NELHA. HSDC was awarded a \$275,000 grant under the EDA's competitive Seed Fund Grant program. HSDC will partner with the University of Hawaii and NELHA and use this grant to build deal pipeline for the NELHA accelerator and support the capital raising activities of the investment fund affiliated with that accelerator.

Ecosystem Success Stories: Volta Charging, a Blue Startups graduate, has raised \$60 million to build its national network of EV charging stations. GVS released the film, "Running for Grace", in an 11-city national theatrical release and now available on the leading streaming services. The movie was completely filmed and produced on the Big Island utilizing GVS' Honua Studio. Kinetior, commercialized UH and Queens technology to develop an image correction system for MRI machines. Siemens has incorporated the technology in its MRI machines. Kinetior raised over \$12 million to grow and scale the business. IBIS Networks, a graduate of the Elemental Excelsior, has raised over \$4 million, and is now deploying its energy management system across California's community college system. OHi Superfood Bars, a graduate of the Maui Food Innovation Center, raised growth capital and is now selling its products in natural food retailers on the Mainland.



Written Statement of
Len Higashi
Acting Executive Director
Hawaii Technology Development Corporation
before the
Senate Committee on Ways and Means
Thursday, February 21, 2019
10:00 a.m.
State Capitol, Conference Room 211

In consideration of
SB989, SD1
**RELATING TO THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND
TOURISM.**

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee.

The Hawaii Technology Development Corporation (HTDC) **supports** SB989, SD1 that appropriates funds for the operating expenses of the Department of Business, Economic Development, and Tourism as it relates to BED143.

The bill appropriates funding to HTDC for the Hawaii SBIR Phase II/III matching grant program, Manufacturing Development (MAP) matching grant program, and to continue providing support for Hawaii accelerator programs. For fiscal year 2019, the SBIR and MAP grant programs have not awarded funds yet. In FY18, the HSBIR Phase II/III grant program awarded 5 of the 9 applicants a total of \$900k with \$8MM federal fund match. The program had \$117 million of total economic impact (HTDC 2017 economic impact survey). In FY18, the MAP grant program funded 29 of the 51 applicants a total of \$930k with the companies investing over \$13.6 million. The program had \$876 million of total economic impact (2017). HTDC believes both grant program provides leverage and positive economic development value for the State. In FY19, HTDC provided 5 Hawaii accelerators a total of \$1.5 million. In FY18, 3 accelerators were awarded \$900k. The 3 accelerators reported a total of 18 cohorts, helping 77 companies raise \$138 million.

The bill appropriates \$1,500,000 to HTDC for operating expenses. The funding would allow HTDC to restore its programs including business workshops, support for companies on the neighbor islands, sponsorships, tech workforce development, industry promotion, and help establish new programs supporting the growth of tech businesses in Hawaii.

We support this request provided it does not supplant the Governor's priorities in the Administrative budget. Thank you for the opportunity to offer these comments.



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David Y. Ige
Governor

Chris Tatum
President and Chief Executive Officer

Statement of
CHRIS TATUM

Hawai'i Tourism Authority
before the
SENATE COMMITTEE ON WAYS AND MEANS

Thursday, February 21, 2019
10:00 AM
State Capitol, Conference Room #211

In consideration of
SENATE BILL NO 989 SD1
RELATING TO THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND
TOURISM.

Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the Committee on Ways and Means, the Hawai'i Tourism Authority (HTA) **strongly supports** Senate Bill 989 SD1, which provides funding in support of our mission and programs.

Over the past two months, our team has conducted a review of our operations, proposed and executed internal adjustments, and analyzed our resource requirements. Based on our analysis, we believe that Senate Bill 989 SD1, which appropriates \$79,000,000 for Fiscal Year 2020 and \$79,000,000 for Fiscal Year 2021, is in alignment with our current budgetary needs of HTA.

Additionally, we will be placing significant focus on programs that support our host culture, career development, natural resources, and community enrichment. We believe that tourism, while being an important economic engine for our state, must expand its direct engagement and support of our community.

We sincerely appreciate your support in maintaining these funding levels as proposed in the bill.

It is for these reasons that the HTA **strongly supports** Senate Bill 989 SD1. We appreciate this opportunity to provide testimony on this measure.

SB-989-SD-1

Submitted on: 2/19/2019 3:46:21 PM

Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Chenoa Farnsworth	Testifying for Blue Startups	Support	No

Comments:

We strongly support appropriations to HSDC and HTDC contained in this bill.

The future of our burgeoning innovation sector in Hawaii depends on continued public support for growth. We are building a new economic sector in Hawaii and providing high paying knowledge worker jobs to our people.

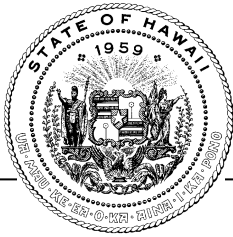
Hawaii Strategic Development Corporation (HSDC) provides seed investment dollars to attract additional private investments into the state.

- Because of HSDC's initial capital commitments to date, Blue Startups has been able to raise and invest \$2.4 million into 76 startup companies, which has been leveraged 50X, bringing in an additional \$115 million in follow on capital.

Hawaii Technology Development Corporation (HTDC) provides grant dollars to support accelerator operations and community events in the innovation sector.

- HTDC accelerator grant assistance helps Blue Startups run its nationally recognized a 13-week mentorship program providing entrepreneurs with strategic advice and business connections. We have completed 10 cohorts have with over 300 founders.
- HTDC events grant assistance helps with the annual East Meets West program which brings together investors and entrepreneurs from throughout the Pacific, highlighting Hawaii as Startup Paradise to the world. Over 500 attendees come out for this event including venture capitalists controlling billions of dollars in capital.

The HSDC and HTDC programs have been critical to the initial development and continued growth of the innovation sector in Hawaii. We believe now is the time to double down on our successes to achieve our ultimate goal of building the innovation economy in Hawaii.



OFFICE OF PLANNING STATE OF HAWAII

LATE

DAVID Y. IGE
GOVERNOR

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Statement of
LEO R. ASUNCION
Planning Program Administrator, Office of Planning
before the
SENATE COMMITTEE ON WAYS AND MEANS
Thursday, February 21, 2019
10:00 AM
State Capitol, Conference Room 211

in consideration of
SB 989, SD1
**RELATING TO THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT,
AND TOURISM.**

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Senate Committee on Ways and Means.

The Office of Planning (OP) respectfully submits the following comments on SB 989, SD1, which appropriates funds for operating expenses of the department of business, economic development, and tourism.

OP would like to respectfully bring to your attention an error that was discovered by FIN analysts, and OP was informed of the error after the EET hearing for SB 989. The appropriation for the Accountant IV position corresponds to an incorrect Step and Account V position. OP proposes the following amendments on **Page 4, lines 2-7**, for the correct appropriation, which should read \$26,478 for Fiscal Year 2019-2020 and \$52,956 for Fiscal Year 2020-2021.

Thank you for the opportunity to testify on this matter.

SB-989-SD-1

Submitted on: 2/20/2019 4:45:49 PM

Testimony for WAM on 2/21/2019 10:00:00 AM

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
John R. Gordines	Individual	Support	No

Comments: