



DAVID Y. IGE
GOVERNOR

MIKE MCCARTNEY
DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
MIKE MCCARTNEY
Director

Department of Business, Economic Development, and Tourism

before the

**SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT AND TOURISM
AND**

SENATE COMMITTEE ON TECHNOLOGY

Friday, February 1, 2019

2:45 PM

State Capitol, Conference Room 414

In consideration of

SB 989

**RELATING TO THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT,
AND TOURISM.**

Chairs Wakai and Keohokalole, Vice Chairs Taniguchi and English and Members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) thanks Chair Wakai for introducing SB989, which appropriates funds for operating expenses for DBEDT. We have the following **comments** listed by Item No. in the bill:

2. Creative Lab Coworking Space and Studio – This item was not included in the Administration budget.

3. Creative Lab Coworking Space and Studio – The MOF is listed as “**B**”, but BED 105CL does not have any special funds. We suggest indicating “**A**” as MOF.

8. HSDC Request for Funding of the Venture Capital Investment Program – This item differs from the Administration Request in the MOF (A = General Funds instead of C = CIP GO Bonds) and amount (\$2.0 million instead of \$5.0 million).

10. Request Reinstatement of Creative Lab Funding – Duplicate of Item No. 4.

11. Matching Funds for U.S. Small Business Administration Grant – Not included in the Administration’s budget.

18. Add One secretary for the Office of Aerospace development – Not included in the Administration's budget.

19. Funding for EDA to Formulate a Business Plan – Not included in the Administration's budget. If the intent was to provide a GIA to the Economic Development Alliance of Hawaii (EDAH), we suggest Program ID BED144 and a proviso showing Legislative intent for a GIA.

20. Funding for the Hawaii Technology Development Corporation – Not requested in the Administration's budget. We suggest conversion of 7.75 FTE from B to A MOF in order to expend the appropriation to pay salaries of existing positions.

We appreciate the overall concept of this bill as it includes initiatives supportive of our goals and objectives, but we are concerned that inclusion of those line items not requested in the Administration's budget may adversely impact the Administration's priorities.

Thank you for the opportunity to testify.



Hawai'i Convention Center
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815
kelepona tel 808 973 2255
kelepa'i fax 808 973 2253
kahua pa'a web hawaiiauthority.org

David Y. Ige
Governor

Chris Tatum
President and Chief Executive Officer

Statement of
CHRIS TATUM

Hawai'i Tourism Authority
before the
SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM

Friday, February 1, 2019
2:45 PM
State Capitol, Conference Room #414

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

Chair Wakai, Vice Chair Taniguchi and members of the Committee on Energy, Economic Development, and Tourism, the Hawai'i Tourism Authority (HTA) **strongly supports** Senate Bill 989, Item #21, which provides for 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, 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 and would fund our operation at the appropriate level.

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. We appreciate this opportunity to provide testimony on this measure.



DAVID Y. IGE
GOVERNOR

GWEN S. YAMAMOTO LAU
EXECUTIVE DIRECTOR

HAWAII GREEN INFRASTRUCTURE AUTHORITY

No. 1 Capitol District Building, 250 South Hotel Street, Suite 501, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: gems.hawaii.gov

Telephone: (808) 587-3868
Fax: (808) 587-3896

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

SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM
SENATE COMMITTEE ON TECHNOLOGY

Friday, February 1, 2019 at 2:45 P.M.
State Capitol, Conference Room 414

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

Chair Wakai, Chair Keohokalole, Vice Chair Taniguchi, Vice Chair English and Members of the Committees:

Thank you for the opportunity to testify and offer comments on Senate Bill 989, relating to the Department of Business, Economic Development, and Tourism (BED). HGIA testifies **in support** of Senate Bill 989, 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 \$285,300 (instead of \$230,000) for FY19-20 and FY20-21, to be in compliance with the state's fringe benefits budgeting guidelines.

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



Written Statement of
Len Higashi
Acting Executive Director
Hawaii Technology Development Corporation
before the
Senate Committee on Economic Development and Tourism
And the
Senate Committee on Technology
Friday, February 1, 2019
2:45 p.m.
State Capitol, Conference Room 414

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

Chairs Wakai and Keohokalole, Vice Chairs Taniguchi and English, and Members of the Committees.

The Hawaii Technology Development Corporation (HTDC) **supports** SB989 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.



**HAWAII
STRATEGIC
DEVELOPMENT
CORPORATION**

No. 1 Capitol District Building
250 South Hotel Street
Suite 509
Honolulu, HI 96813
(808) 587-3830

Statement of
Karl Fooks
President

Hawaii Strategic Development Corporation
before the

**SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT & TOURISM and
SENATE COMMITTEE ON TECHNOLOGY**

Friday, February 1, 2019
2:45 PM

State Capitol, Conference Room 414

In consideration of
SB989

**RELATING TO THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT,
AND TOURISM**

Chair Wakai, Chair Keohokalole, Vice Chair Taniguchi, Vice Chair English and members of the EET and TEC Committees. The Hawaii Strategic Development Corporation (HSDC) supports SB 989 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.