



Written Statement of  
**Len Higashi**  
Acting Executive Director  
Hawaii Technology Development Corporation  
before the  
**House Committee on Finance**  
Wednesday, March 27, 2019  
2:30 p.m.  
State Capitol, Conference Room 308

In consideration of  
**SB995, SD2, HD1**  
**RELATING TO THE HAWAII TECHNOLOGY DEVELOPMENT CORPORATION.**

Chair Luke, Vice Chair Cullen, and Members of the Committee.

The Hawaii Technology Development Corporation (HTDC) offers **comments** on SB995, SD2, HD1 that appropriates funds for various grant programs to HTDC and transfers the rights, powers, functions and duties of the Hawaii Technology Development Corporation and Hawaii Strategic Development Corporation to the University of Hawaii.

HTDC **supports** the following provisions in this measure:

1. Appropriates funds for the Hawaii Small Business Innovation Research Program, Manufacturing Assistance Program, and the Alternative Energy Research and Development Program as requested in the Administration's budget. HTDC comments that the 5 year requirement for the Hawaii SBIR grant program sets expectations to ensure the State receives benefit for its investment into companies.

HTDC **comments** on the following provisions

2. Supports the intent of the appropriation for the Research & Development Tax Credit matching grant program provided that this does not adversely impact the Administration's budget priorities.
3. The repeal of Act 141, SLH 18, contradicts with #2.

HTDC **opposes** the following provisions in this measure:

4. The repeal of Act 67, SLH 18, contradicts with the appropriation for the Alternative Energy Research and Development Program in #1 above.
5. Repeal of Chapters 206M and 211F and transfer of the Hawaii Technology Development Corporation and Hawaii Strategic Development Corporation to the University of Hawaii. HTDC previously submitted testimony in opposition of HB624, HD1 detailing our concerns and the concerns of our federal program sponsors.

HTDC comments that operational funding for operations as provided in SB989, SD2 would provide stability to restore programs and fill vacant positions. Thank you for the opportunity to offer these comments.



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](http://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  
**HOUSE COMMITTEE ON FINANCE**

Wednesday, March 27, 2019  
2:30 PM  
State Capitol, Conference Room 308

In consideration of  
**SB 995, SD2, HD1**  
**RELATING TO THE HAWAII TECHNOLOGY DEVELOPMENT CORPORATION.**

Chair Luke, Vice Chair Cullen and Members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) offers **comments** on SB 995, SD2, HD1, which appropriates funds for various grant programs to HTDC and transfers the rights, powers, functions and duties of the Hawaii Technology Development Corporation and Hawaii Strategic Development Corporation to the University of Hawaii.

DBEDT **supports** the following provisions in this measure:

1. For the appropriation for Small Business Innovation Research Program, the Governor has approved \$1,000,000 to maintain funding for this program.
2. For the appropriation for Manufacturing Assistance Program, the Governor has approved \$500,000 to maintain funding for this program.
3. For the appropriation for the alternative energy research and development revolving fund, the Governor has approved \$500,000 to maintain funding for this program.

DBEDT **comments** on the following provisions

4. Appreciates the intent of the appropriation for Research & Development Special Fund, provided that this does not adversely impact the executive budget priorities.
5. The repeal of Act 141, SLH 18, which is the Research and Development Special Fund, contradicts with #4 above.

DBEDT **opposes** the following provisions in this measure:

6. The repeal of Act 67, SLH 18, which is the Alternative Energy Research and development revolving fund, contradicts with #3 above.
7. Repeal of Chapters 206M and 211F and transfer of the Hawaii Technology Development Corporation and Hawaii Strategic Development Corporation to the University of Hawaii. DBEDT's programs have a different mission from the University of Hawaii. HTDC and HSDC programs work to complement the objectives of the University.

DBEDT requests your consideration to add the following new provision:

8. Add Operational funding for personnel and operations for the Hawaii Technology Development Corporation in the amount of \$1,500,000.

Thank you for the opportunity to testify.



**TESTIMONY OF  
THE DEPARTMENT OF THE ATTORNEY GENERAL  
THIRTIETH LEGISLATURE, 2019**

---

**ON THE FOLLOWING MEASURE:**

S.B. NO. 995, S.D. 2, H.D. 1, RELATING TO THE HAWAII TECHNOLOGY DEVELOPMENT CORPORATION.

**BEFORE THE:**

HOUSE COMMITTEE ON FINANCE

**DATE:** Wednesday, March 27, 2019      **TIME:** 2:30 p.m.

**LOCATION:** State Capitol, Room 308

**TESTIFIER(S):** Clare E. Connors, Attorney General, or  
Dawn T. Apuna, Deputy Attorney General

---

Chair Luke and Members of the Committee:

The Department of the Attorney General provides the following comments.

This bill appears to combine multiple bills within the same legislative vehicle, and does the following:

1. Requires the Hawaii Technology Development Corporation (HTDC) to adopt rules that require technology research and development grant award recipients to return an award if the business relocates out of the State of Hawaii;
2. Appropriates funds to various HTDC programs;
3. Disallows HTDC alternative energy research grants to businesses that were awarded a competitive contract from the Department of Defense to research hydrodynamics or demand response;
4. Repeals Act 67, Session Laws of Hawaii 2018;
5. Repeals Act 141, Sessions Laws of Hawaii 2018;
6. Deletes HTDC from placement under the Department of Business, Economic Development and Tourism;
7. Deletes the exception of HTDC lands under the definition of "public lands";
8. Deletes the sale or gift of HTDC lands from requiring prior approval by the legislature;

9. Removes HTDC and the Hawaii Strategic Development Corporation (HSDC) as board director members of the Natural Energy Laboratory of Hawaii Authority;
10. Exempts from the general excise tax, grants from the University of Hawaii (UH) to businesses that receive federal small business innovation or technology transfer awards or contracts;
11. Repeals Chapter 206M, HRS;
12. Repeals Chapter 211F, HRS;
13. Appropriates funds for the UH to succeed and implement the rights, powers, functions, and duties of the HTDC and HSDC; and
14. Attempts to transfer all rights, powers, functions, and duties of the HTDC and HSDC to the UH.

First, portions of this bill could be challenged on the grounds that the title is too narrow to encompass the subject matter of the bill. Article III, section 14, of the Constitution of the State of Hawaii, provides in part: “Each law shall embrace but one subject, which shall be expressed in its title.”

The title of this bill, “A BILL FOR AN ACT RELATING TO THE HAWAII TECHNOLOGY DEVELOPMENT CORPORATION,” is too narrow, given that the bill encompasses and affects not only HTDC, but also repeals HSDC’s authorizing chapter and transfers the rights, powers, functions, and duties of HSDC to the University of Hawaii (UH).

We therefore recommend that the Committee either find another legislative vehicle with a broader title or delete those provisions of the bill that extend beyond HTDC, including the repeal of HSDC and the transfer of HSDC to UH.

Additionally, the bill is not internally consistent. The bill amends sections of Chapter 205M, HRS, and appropriates funds to programs under Chapter 205M, HRS, and yet also repeals Chapter 205M, HRS, in its entirety. The bill also amends sections of Act 67, Session Laws of Hawaii 2018 (Act 67), and also repeals the same Act in its entirety. If unchanged, the amendments to Chapter 205M and Act 67 will be invalidated

as the entire chapter and Act will be repealed. The Committee should resolve whether it seeks to merely amend or repeal in its entirety Chapter 205M and Act 67.

Finally, the bill does not contain sufficient provisions to transfer the rights, powers, functions, and duties of HTDC and HSDC to UH. The bill deletes Chapters 206M and 211F which creates the rights, powers, functions, and duties of HTDC and HSDC, without creating any new statute authorizing UH to exercise the powers of HTDC and HSDC. Without more, section 24 of the bill is insufficient to accomplish this purpose. The bill should either (1) create new statutes authorizing UH to exercise such rights, powers, functions, and duties of HTDC and HSDC as the legislature deems appropriate, or (2) amend rather than repeal Chapters 206M and 211F to delete only those portions of the statutes as would be inapplicable to UH and substitute UH in place of HTDC and HSDC, as applicable, for those portions of the statutes that the legislature believes should be applied to UH. The legislature would also need to delete any references in these statutes to the Department of Business, Economic Development, and Tourism. The same changes (either repeal or amendment) would need to be made to Act 67, Session Laws of Hawaii, Act 141, Session Laws of Hawaii 2018. The legislature would also need to provide funding for the transferred programs, as contemplated by sections 2, 3, 4, 5, 6, 8, and 9 of this bill, all to be expended by the UH.

The Department appreciates the opportunity to provide comments on this measure.



**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

**HOUSE COMMITTEE ON FINANCE**

Wednesday, March 27, 2019

2:30 PM

State Capitol, Conference Room 308

In consideration of

**SB995 SD2 HD1**

**RELATING TO THE HAWAII TECHNOLOGY DEVELOPMENT CORPORATION**

Chair Luke, Vice Chair Cullen and members of the Committee, the Hawaii Strategic Development Corporation (HSDC) opposes Part IV of HB 995 SD2 HD1 a bill that transfers the rights, powers, functions, and duties of the Hawaii Technology Development Corporation and Hawaii Strategic Development Corporation to the University of Hawaii.

HSDC actively cooperates with UH, HTDC, NELHA and private sector stakeholders in the innovation sector. To carry out its mission of attracting private capital, HSDC must be able to attract and responsibly manage capital from the State and, increasingly important, capital from other government sectors and private sources. This objective is best met if HSDC is perceived as a transparent agency overseen by an independent board accountable for its investment program. Investors are attracted to HSDC's singular focus on strengthening Hawaii's venture capital market.

HSDC's experience and expertise in managing private equity investments could be lost in a re-structuring or re-alignment. HSDC's core mission is not duplicated by other State entities and combining with other entities would result in the loss of one of the State's unique tools to directly promote economic growth in Hawaii.

HSDC's investment program has successfully developed public private partnerships that are building a critical mass in sectors like software, media, clean tech and life sciences These sectors are a source of high wage job opportunities.

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. KinetiCor, commercialized UH and Queens technology to develop an image correction system for MRI machines. Siemens has incorporated the technology in its MRI machines. KinetiCor raised over \$12 million to grow and scale the business. IBIS Networks, a graduate of the Elemental Exceleator, 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.





# Chamber of Commerce HAWAII

*The Voice of Business*

**Testimony to the House Committee on Finance  
Wednesday, March 27, 2019 at 2:30 P.M.  
Conference Room 308, State Capitol**

**RE: SB 995 SD2 HD1 RELATING TO THE HAWAII TECHNOLOGY DEVELOPMENT  
CORPORATION**

Chair Luke, Vice Chair Cullen, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** SB 995 SD2 HD1, which appropriates funds to the High Technology Development Corporation (HTDC) for the Small Business Innovation Research Program (SBIR) and the Manufacturing Assistance Program (MAP) and other purposes.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ 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.

HTDC has offered assistance to SBIR awarded companies since 1989; as a result, Hawaii companies have attracted 20 federal dollars in return to the state plus commercialization funding for every dollar invested through this program. Although the federal SBIR grant program has increased efforts to move companies through grant awards to commercial product sales, funds have not been dedicated towards these efforts. This bill would allow HTDC to continue to provide the necessary support of a commercialization assistance program to all phases in the program.

Continuing to support MAP is also vital to HTDC's mission. This program has become a positive resource to aid companies with their investments for manufacturing equipment, training of their employees on newly purchased equipment, energy efficiency, and feasibility studies. We believe that the continuation of this program will help fuel manufacturing in Hawaii to grow and provide more products for both local consumption and export, and this amendment will help companies in Hawaii to start or grow their operations.

HTDC and its programs actively support and advocate for the specific needs of Hawaii's technology and manufacturing businesses. We have seen a rising demand from local companies wanting to manufacture here in Hawaii in order to maintain quality control, as well as an increasing desire for 'Made in Hawaii' products from consumers globally, which will continue to



economically benefit our state. HTDC and its programs are integral to the growth and success of these companies who seek information and guidance on what it takes to succeed in Hawaii.

Thank you for the opportunity to testify.



Statement of  
**Hermann Kugeler**  
**Business Development Manager**  
**Makai Ocean Engineering, Inc.**  
before the  
**House Committee on Finance**  
Wednesday, February 27, 2019  
2:30pm  
State Capitol, Conference Room 308  
In consideration of  
**SB995**

**RELATING TO THE HAWAII TECHNOLOGY DEVELOPMENT CORPORATION.**

Chair Luke, Vice Chair Cullen, and members of the Committee

Makai Ocean Engineering, Inc. **SUPPORTS SB995** that establishes the research and development, HSBIR, manufacturing, and ONR research and development programs in the Hawaii technology development corporation.

Makai is a locally-owned and operated technology company based in Hawai'i for over 45 years. We are currently performing R&D on a variety of exciting ocean technology projects, including autonomous underwater vehicles, ocean thermal energy conversion (OTEC) and seawater air conditioning (SWAC) systems, submarine and subsea cable systems, and a Department of Energy project to grow and harvest macroalgae offshore in Hawaiian waters to produce a renewable biofuel alternative for transportation.

Makai has been successful in bringing in tens of millions of dollars in R&D funds from federal and international sponsors to Hawai'i, helping to stem the tide of "brain drain" of talented kama'aina kids going to the mainland. Makai is not unique among Hawaii technology companies in this. There is a tech community here that has made a strong economic impact in terms of high paying jobs, and demonstrated success in commercializing federal R&D, which has increased taxable revenue for the state, and brought home kama'aina scientists and engineers.

This bill would enhance the ability of Hawaii companies like Makai to outshine mainland peers in competitive federal R&D projects, bring home R&D dollars that greatly exceed the initial investment, and create a critical mass and a truly vibrant industry of innovative R&D companies in



Hawaii. It would expand and diversify Hawaii's economy, and enable our tech industry to support high-paying, highly-skilled professional jobs for our keiki here at home.

This is why Makai **SUPPORTS SB995**. Thank you for the opportunity to testify.



Written Statement of  
**DR. PATRICK K. SULLIVAN**  
**PRESIDENT/CEO OCEANIT**

Before the  
**HOUSE COMMITTEE ON FINANCE**  
March 27, 2019  
2:30 p.m.  
State Capitol, Conference Room 308

In Support of  
**SB 995 RELATING TO THE HAWAII TECHNOLOGY  
DEVELOPMENT CORPORATION**

To: Representative Sylvia Luke, Chair, Representative Ty J.K. Cullen, Vice Chair and Members of the Finance Committee

From: Dr. Patrick K. Sullivan, President/CEO

Re: Testimony in Support of SB995

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony **in support of SB995**

The technology industry in Hawaii has grown over the past decade and has made significant strides towards achieving the goal of diversifying and stimulating Hawaii's economy. The continuation of the Small Business Innovation Research ("SBIR"), Manufacturing and Alternative Energy grants are crucial to move the technology towards prototyping, customer interface, and commercialization,

The objectives of the grants are:

- To support economic growth and the diversification of our economy;
- To launch new ventures based on technology innovations; and
- To support the growth of the tech industry and the creation of intellectual property and innovation in the State.

We strongly urge you to support of SB995 and we appreciate your continued support of the technology industry.

**SB-995-HD-1**

Submitted on: 3/26/2019 12:05:51 PM

Testimony for FIN on 3/27/2019 2:30:00 PM

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Present at Hearing</b> |
|---------------------|---------------------|---------------------------|---------------------------|
| Ann Chung           | Individual          | Support                   | Yes                       |

Comments:

I STRONGLY SUPPORT HB340 relating to the Hawaii Technology Development Corporation which appropriates funds to HTDC for four of its very successful existing programs: Small Business Innovation Research (SBIR), Manufacturing, Alternative Energy, and Research & Development grants. These are very successful existing program that has been working for many years. I urge you to continue funding these very important programs. Based on data provided by HTDC, 20 federal dollars are returned to the State for every dollar invested through the SBIR program alone. These existing grant programs are successful in promoting innovation and stimulating economic development by supporting emerging technologies developed by Hawaii companies and creating innovation jobs – high-skilled, high-paying jobs that Hawaii needs. I URGE YOU TO PASS THIS BILL.