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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 ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM

Monday, March 11, 2019
2:45 PM
State Capitol, Conference Room 414

In consideration of
HB 1563, HD1
**RELATING TO THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT,
AND TOURISM.**

Chair Wakai, Vice Chair Taniguchi and members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) **supports the intent** of HB 1563, HD1, which appropriates funds for the Department of Business, Economic Development, and Tourism programs, provided that the amounts and positions listed in our testimony below are inserted into an SD1. We would like to request that the following adjustments be made:

Program	Fiscal Year 2019-2020	Fiscal Year 2020-2021
BED100 - Strategic Marketing and Support		
	\$1,620,988 A	\$1,620,997 A
	10.00*	10.00*
	1.00#	1.00#
	\$700,000 P	\$700,000 P
	\$1,821,915 W	\$ 1,821,915 W
BED105 - Creative Industries Division		
	\$1,583,289 A	\$ 1,583,289 A
	11.00*	11.00*
	\$30,000 B	\$ 30,000 B

Program	Fiscal Year 2019-2020	Fiscal Year 2020-2021
BED107 - Foreign Trade Zone		
	\$ 2,510,120 B	\$ 2,517,238 B
	17.00*	17.00*
BED128 - Office of Aerospace		
	\$1,213,673 A	\$1,213,673 A
	1.00#	1.00#
	\$500,000 B	\$500,000 B
BED130 - Economic Planning and Research		
	\$1,316,317 A	\$ 1,316,317 A
	14.00*	14.00*
BED142 - General Support for Economic Development		
	\$2,336,258A	\$2,336,258*
	26.00*	26.00*
	1.00#	1.00#
BED143 - Hawaii Technology Development Corporation		
	\$3,851,808 A	\$3,351,808 A
	1.50*	1.50*
	3.75#	3.75#
	\$3,922,384 B	\$3,922,384 B
	1.50*	1.50*
	6.25#	6.25#
	\$964,713 P	\$ 964,713 P
	9.00#	9.00#
	\$1,500,000 W	\$1,500,000 W
BED145 - Hawaii Strategic Development Corporation		
	\$2,608,516 B	\$2,608,516 B
	\$4,211,451 W	\$4,211,451 W
	1.00#	1.00#
BED146 – Natural Energy Laboratory of Hawaii Authority		
	\$7,900,628 B	\$7,908,896 B
	22.00#	22.00#

Thank you for the opportunity to testify.



**HAWAII
STRATEGIC
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CORPORATION**

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Statement of
Karl Fooks
President

Hawaii Strategic Development Corporation
before the

SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT & TOURISM

Monday, March 11, 2019

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In consideration of

HB 1563 HD1

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

Chair Wakai, Vice Chair Taniguchi and members of the Committee, the Hawaii Strategic Development Corporation (HSDC) provides comments on HB 1563 HD1 that appropriates funds for the fiscal biennium 2019-2021 operating budget of the Department of Business, Economic Development and Tourism programs under the purview of the House Committee on Economic Development and Business.

HSDC prefers HB 1563 a bill that appropriates funds for HSDC's operations and 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 to encourage economic development and stimulate private capital investments. HSDC's mission is to co-invest with private investors to **strategically** 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 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.



Written Statement of
Len Higashi
Acting Executive Director
Hawaii Technology Development Corporation
before the
Senate Committee on Energy, Economic Development, and Tourism
Monday, March 11, 2019
2:45 p.m.
State Capitol, Conference Room 414

In consideration of
HB1563, HD1
RELATING TO THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM.

Chair Wakai, Vice Chair Taniguchi, and Members of the Committee.

The Hawaii Technology Development Corporation (HTDC) **supports** HB1563, HD1 that appropriates funds for the fiscal biennium 2019-2021 operating budget of the Department of Business, Economic Development and Tourism programs under the purview of the House of Representatives Standing Committee on Economic Development and Business.

The bill appropriates funding to HTDC for the Hawaii SBIR Phase II/III matching grant program, Manufacturing Development (MAP) matching grant program, Hawaii Office of Naval Research Alternative Energy Research Program (HONR) 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). The HONR grant program last awarded in FY17. In FY17, all 3 companies that applied were awarded a total of \$950,000. The companies matched the state award with a total of \$10.2 million of federal funds. HTDC believes the grant programs 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 funding to HTDC for operating expenses. The funding would allow HTDC to restore some of its programs including business workshops, support for companies on the neighbor islands, sponsorships, tech workforce development, industry promotion, and continue supporting the growth of tech businesses in Hawaii. HTDC has significantly reduced program and is unable to fill positions due to the loss of special fund revenue in June 30, 2018 with the expiration of the Manoa Innovation Center lease. 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.



NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

An Authority of the State of Hawaii attached to the Department of Business, Economic Development & Tourism

Statement of
Gregory P. Barbour
Executive Director
Natural Energy Laboratory of Hawaii Authority
before the

SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT AND TOURISM

Monday, March 11, 2019
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State Capitol, Conference Room 414

in consideration of
H.B. 1563 H.D.1
RELATING TO THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM.

The Natural Energy Laboratory of Hawaii Authority (NELHA) supports H.B. 1563 H.D. 1 as it relates to BED 146 and in so far as it provides a special fund ceiling for the Fiscal Biennium 2020 – 2021 for our programs.

We believe that State's investment in NELHA over the past 40 years has led to a surge in economic impact now approaching \$150 million annually. Providing a special fund ceiling of \$7,900,628 for FY 2020 and \$7,908,896 for FY 2021 and position counts for the next several years will allow us to continue to provide services to the community and a site for additional private sector investment in our economy.

Thank you for the opportunity to offer these comments.

HB-1563-HD-1

Submitted on: 3/9/2019 8:22:58 PM

Testimony for EET on 3/11/2019 2:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Omar Sultan	Testifying for XLR8UH	Support	No

Comments: