

Statement of
LEN HIGASHI
Acting Executive Director & CEO
High Technology Development Corporation
before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS
Tuesday, February 4, 2014
8:30 a.m.
State Capitol, Conference Room 312
In consideration of

HB 2282 RELATING TO HIGH TECHNOLOGY.

Chair Tsuji, Vice Chair Ward, and Members of the Committee on Economic Development & Business.

The High Technology Development Corporation (HTDC) **supports** HB 2282 relating to High Technology. HTDC has been assisting Phase I SBIR awarded companies since 1989 and continues to do so each year. For every dollar invested through this program, Hawaii companies have attracted 16 federal dollars in return to the state, plus commercialization funding. The federal SBIR grant program has increased their efforts to move companies through grant awards to commercial product sales. However, the federal SBIR program has not dedicated additional funds towards these efforts. HB 2282 allows HTDC the opportunity to further assist these companies in the SBIR path to commercialization. Along with the matching grant funding, HTDC comments that companies require the support of a commercialization assistance program.

Thank you for the opportunity to offer these comments.



NEIL ABERCROMBIE
GOVERNOR

EXECUTIVE CHAMBERS
HONOLULU

Testimony in **support** of HB2282
Relating to High Technology

Committee on Economic Development & Business
Representative Clift Tsuji, Chair
Representative Gene Ward, Vice Chair

February 4, 2014
8:30 am Room 312

Chair Tsuji, Vice-Chair Ward, and members of the Economic Development and Business Committee:

The Office of the Governor submits **written** testimony in **support** of House Bill 2282, relating to High Technology. This measure amends Section 206M-15, HRS to add Phase II or Phase III Small Business Innovation Research (SBIR) grants to qualifying criteria. It also increases the ceiling on transfers from the Hawaii Capital Loan Revolving Fund from \$100,000 to \$500,000.

Broadening the existing SBIR program to include Phase II or Phase III stages will support a high technology transfer bridge to manufacturing which will support our local tech industry and diversify Hawaii's economy. Ultimately, we feel that this will result in the growth of the high technology industry and the launch of new economic sources and intellectual property and innovation in Hawaii.

The High Technology Development Corporation is available to provide additional information.

Thank you for the opportunity to submit testimony.

February 3, 2014

The Honorable Clift Tsuji, Chair
The Honorable Gene Ward, Vice Chair
House Committee on Economic Development & Business
State Capitol, Room 312
Honolulu, Hawaii 96813

Dear Representative Tsuji, Representative Ward and Members of the Committee:

Subject: HB2282 – Relating to High Technology

Thank you for the opportunity to submit testimony in support of HB2282 relating to the expansion of State support for the SBIR/STTR program at the High Technology Development Corporation (HTDC) to include Phases II and III.

The technology community in Hawaii has made significant progress in establishing a sustainable technology community of businesses. We have successfully leveraged federal investment in our technology companies through the SBIR/STTR program primarily through Phase I awards. We have demonstrated the capability to provide “disruptive technologies” that are making a difference in the military and other segments of our marketplace.

I know that Hawaii’s technology industry is poised to make a significant impact and positive contribution to the economy of Hawaii. While we have made progress, additional support from the State is necessary to ensure movement beyond the cycling Phase I awards; continued basic research solely for basic research sake. A number of local companies have received Phase II awards, and have leveraged other federal and their investment capital to meet the matching requirements. This is a difficult and tedious path, and expansion of State support through HTDC’s SBIR/STTR program will provide a wonderful boost and encouragement to move beyond Phase I work.

I would suggest that the language of the bill include specific administrative oversight requirements for HTDC, and requirements for company-reported metrics to evaluate the success from a local impact perspective. Sole reliance on federal government oversight may be naïve and risky as the State should expect a fair return on the leveraged investment in successfully executed Phase II and III awards.

Thank you for providing an opportunity to support this important legislation.

Mahalo,
Keith Matsumoto

Testimony in Support of HB2282



To: House Committee on Economic Development & Business

Dear Chair Tsuji, Vice Chair Ward, and Members of the Committee:

This letter is to provide my support for HB2282 regarding increasing the scope of the Hawaii Technology Development Corporation's SBIR matching program to include phase 2 and 3.

TeraSys Technologies has received, to date, almost 40% of our revenue through the Small Business Innovative Research (SBIR) program, totaling \$2.8M over the past 6 years. We have received a total of \$120K through the HTDC SBIR matching grant program. TeraSys has been successful in securing \$2.5M in phase 2 funding, representing a 20X return on investment from the HTDC SBIR matching funds received by TeraSys.

What has proven elusive to us so far, however, is to reach the "holy grail" of the SBIR program which is to secure a phase III large scale commercial order. One of the greatest hurdles in securing a phase 3 contract is the often cited "funding valley of death" which occurs between phase 2 and phase 3. This valley of death is aptly named, since many companies simply "die" attempting to reach phase III because there are very few bona fide sources of funding that can bridge the gap between phase 2 and phase 3.

Typically, the phase 2 results are the first demonstration of a working prototype which provides the customer with the confidence that the research is successful. However, entering into a phase 3 contract requires a working product which is a large step from successful research. Very few funding sources exist for performing the packaging, optimization, and feature development necessary to turn applied scientific research into a fully functional product, hence the phrase funding valley of death. Initiatives such as HB2282 are critical in filling this gap to enable the true commercialization of SBIR funded research.

HB 2282 would broaden the existing program by adding a matching grant component to mid- to later- stage funding at the SBIR Phase 2 or Phase 3 stages to support the development of working prototypes that stem out of these technologies. This would fill a large gap in the technology development process and would promote the maturation and commercialization of novel technologies. In addition, the bill will support of the growth of the tech industry and the creation of jobs and innovation in the State of Hawaii.

We strongly urge you to support of HB2282 and thank you for your time and attention,

Mahalo Nui Loa,

Kevin Miyashiro
President

Digitally signed by Kevin
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ou=IdenTrust, ou=TERASYS TECHNOLOGIES LLC,
cn=Kevin
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