

HB1069, HD1

Measure Title: RELATING TO TECHNOLOGY.
Report Title: Small Business Innovation Research Awards; Technology (\$)
Description: Authorizes HTDC to provide grants to businesses with a federal small business innovation research phase II or III award. Appropriates funds. (HB1069 HD1)
Companion:
Package: None
Current Referral: EDT, WAM
Introducer(s): KAWAKAMI, ICHIYAMA, MCKELVEY, OSHIRO, SAY, WOODSON

Written Statement of
ROBBIE MELTON
Executive Director & CEO
High Technology Development Corporation
before the
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY
Wednesday, March 18, 2015
2:45 p.m.
State Capitol, Conference Room 16
In consideration of

HB1069 HD1 RELATING TO TECHNOLOGY.

Chair Wakai, Vice Chair Slom, and Members of the Committee on Economic Development and Technology.

The High Technology Development Corporation (HTDC) **strongly supports** HB 1069 HD1 expanding the Hawaii SBIR matching grant program to phase 2 and 3.

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 20 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. HB1069 HD1 allows HTDC the opportunity to further assist these companies in the SBIR path to getting their product to market. Matching funds for companies who receive SBIR Phase 2 and phase 3 funding would help companies get their products out in to the market faster and also increase the sustainability of the business. HTDC suggests that \$2,000,000 would be an appropriate amount for the program.

Thank you for the opportunity to offer these comments.



**Testimony to the Senate Committee on Economic Development and
Technology
Wednesday, March 18, 2015 at 2:45 P.M.
Conference Room 016, State Capitol**

RE: HOUSE BILL 1069 HD1 RELATING TO TECHNOLOGY

Chair Wakai, Vice Chair Slom, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **strongly supports** HB 1069 HD1, which authorizes HTDC to provide grants to businesses with a federal small business innovation research phase II or III award.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,000 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.

The High Technology Development Corporation (HTDC) has offered assistance to Phase I 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. HB 1069 would allow HTDC to provide the necessary support of a commercialization assistance program.

Thank you for the opportunity to testify.



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

Before the
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY
March 18, 2015
2:45 p.m.
State Capitol, Conference Room 016
In Support of
HB1069 RELATING TO HIGH TECHNOLOGY

To: Chair Glenn Wakai, Vice Chair Sam Slom, and Members of the Committee

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

Re: Testimony in Support of HB1069

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony **in support of HB1069**

The technology industry in Hawaii has grown over the past 10 years and has made significant strides towards achieving the goal of diversifying and stimulating Hawaii's economy.

Early stage support has been made available to "start up" companies, through state support of "accelerators". These accelerators provide mentoring and modest financial support to kick start a business.

Other companies that are developing cutting edge technologies rely on federal support through the Small Business Innovation Research ("SBIR") grant program, which encourages and funds early stage ideas and innovations. The technology risk level for these programs are often high and untested. Great ideas emerge from this early stage funding, and these ideas and technologies are vetted and competed at a national level. However, with the level of funding that is provided in a SBIR Phase I grant, there is barely enough money to demonstrate proof-of-concept for a technology. The follow-on funding that is required is essential to move the technology towards prototyping, customer interface and development.

HB1069 would fill this critical "gap" in funding by supplementing the SBIR program, a program that has been tested by time. This funding gap (aka known as the "valley of death") is an acute problem in Hawaii due to our immature capital market support. Investment capital for technology in Hawaii faces critical challenges because this industry is still in the early stages of development in Hawaii, and there is a general lack of historical investment into this arena. This creates tremendous hurdles to the evolution of this industry.

Over the last several years, much attention was given to the development of software start-ups and social media as an industry. This has been an attractive industry as it requires little to no start-up capital and has low barriers to entry. Today, the leading tech arenas in the nation have found that the need to support "hard tech" is still required in order to maintain a vital, stable and critical part of the economic infrastructure. This industry is in flux, and most in Silicon Valley would agree that the days of these easy start-ups are gone. The focus is once again on developing cutting edge technology – development that requires longer timeframes, and significantly more capital investment.

HB1069 will leverage the Hawaii Technology Development Corporation's (HTDC) grant program, which has been in place since 1983. The purpose of the program has been to match SBIR Phase I grants. Phase I grants cover early stage ideas and technology development. Proposal topics are developed by agencies to address areas of national need. Proposals are vetted nationally and are extremely competitive. Ideally, a successful Phase I project will be able to show "proof of concept". More often than not - this usually means proof on paper – there is not enough funding in these early stage grants to actually develop or test a prototype.

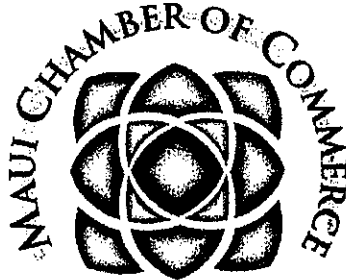
HB1069 would broaden the existing program by adding a matching grant component to mid- to later- stage funding at the SBIR Phase 2 or Phase 3 stages to support the development of working prototypes that stem out of these technologies. This would fill a large gap in the technology development process and would promote the maturation and commercialization of novel technologies.

The objectives of this bill are:

- To act as a bridge across the "valley of death" and to assist in commercializing research discoveries for societal benefit;
- 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 HB1069 and we appreciate your continued support of the technology industry.





OUR BUSINESS IS MAUI BUSINESS

**TESTIMONY IN SUPPORT OF HB1069 HD1
HEARING BEFORE THE SENATE COMMITTEE ON
ECONOMIC DEVELOPMENT AND TECHNOLOGY**

Hawaii State Capitol,
Conference Room 016
March 18, 2015
2:45 P.M.

Aloha Chair Wakai, Vice Chair Slom, and Members of the Committee,

The Maui Chamber of Commerce strongly supports HB 1069 HD1, which authorizes HTDC to provide grants to businesses with a federal small business innovation research phase II or III award.

Here at the Maui Chamber of Commerce, we believe in creating a strong economic environment that supports job growth while also protecting our environment and preserving our quality of life. We support the "triple bottom-line" view of sustainability: economy, environment and social well-being. We have approximately 500 members, 95% of whom are small businesses with 25 or fewer employees.

The High Technology Development Corporation (HTDC) has offered assistance to Phase I 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. HB 1069 would allow HTDC to provide the necessary support of a commercialization assistance program.

Thank you for the opportunity to testify.

Sincerely,

Pamela Tumpap
President



Written Statement of Duke Hartman, Vice President of Business Development,
Makai Ocean Engineering, Inc.
before the
COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY
March 18, 2015
2:45 p.m.
State Capitol, Conference Room 016
In Support of
HB1069 RELATING TO TECHNOLOGY

TO: Honorable Chair Glenn Wakai, Vice-Chair Sam Slom and Members of the
Committee.

FROM: Duke Hartman, Vice President, Makai Ocean Engineering, Inc.

RE: Testimony in Support of HB1069

Thank you for the opportunity to submit testimony in **STRONG SUPPORT** of **HB1069**.

Makai Ocean Engineering, Inc. is a locally-owned and operated technology company based in Hawaii for over 40 years and an active participant in the Small Business Innovation Research (SBIR) grant program. The SBIR program consists of three phases that encourages early stage investment and innovation in technology. Phase 1 provides a very small amount of money that is barely enough for "proof of concept" research. However, it is the Phase 2 and 3 funding stages that provide a "bridge" for companies to survive the "valley of death" between the idea and research stages of development, through prototyping to commercialization.

In 2012, the State of Hawaii matched an SBIR Phase I grant to Makai from the US Navy with \$20k in State funds. This Phase 1 and State matching grant led to a partnership between Makai and the University of Hawaii (UH) for our current work on an innovative new concept for an underwater vehicle for the Navy's anti-submarine warfare surveillance efforts. The State's matching grant enabled Makai to win Phases 2 and 2.5 and bring over \$4 million in Navy research and development (R&D) money to the State to date. This money is currently supporting several highly-paid, highly-skilled engineers, including a professor and two students from UH. While this highly leveraged investment already has a multiplier of about 200X for the State, Makai is struggling to find funding to commercialize the technology, even though it has the promise to escalate into many more years and into the tens of millions of dollars for high tech R&D in the State.

While the Phase 1 matching grants are critical to support early stage ideas, the Phase 2 and 3 SBIR grants assist companies with a difficult, but more commercially-promising stage of development than Phase 1. Carefully selected Phase 2 and 3 matching grants represent more of a "sure bet" in terms of



the technology becoming a successful and highly leveraged investment in economic development for the State.

An example is Makai's subsea cable laying software, which began as a Phase 1 SBIR (matched by State for \$20k in the year 2000) and then went on to become the world's #1 commercial cable laying software, with over \$20 million in commercial revenues and high tech jobs for Hawaii over the last 14 years. This is a direct multiplier of 1,000X for the State's investment, not counting the indirect benefits of retaining some of the world's best engineers in Hawaii and the additional technologies they have generated during this time. Imagine a return like that on an investment more substantial than \$20k.

This is why we **STRONGLY SUPPORT HB1069**, which would provide the state matching funds for Phases 2 and 3 of the federal SBIR program to enable companies like ours to commercialize new technologies more effectively. Not only would this expansion of funding enable our tech industry to compete and win more Federal monies for technology development, it would provide highly-skilled professional jobs for our keiki here at home.

Again, thank you for the opportunity to testify.

Sincerely,

Digitally signed by Duke Hartman
DN: cn=Duke Hartman, o=Makai
Ocean Engineering, Inc., ou=Business
Development,
email=duke.hartman@makai.com,
c=US
Date: 2015.03.16 13:47:16 -10'00'

Duke Hartman

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 15, 2015 4:20 PM
To: EDT Testimony
Cc: amybrinker@mac.com
Subject: *Submitted testimony for HB1069 on Mar 18, 2015 14:45PM*

HB1069

Submitted on: 3/15/2015

Testimony for EDT on Mar 18, 2015 14:45PM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Amy Brinker	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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