



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**
KA 'OIHANA HO'OMOHALA PĀ'OIHANA, 'IMI WAIWAI
A HO'OMĀKA'IKĀ'I

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Statement of
CHRIS J. SADAYASU
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON FINANCE

Monday, February 27, 2023
10:00 a.m.
State Capitol, Conference Room 308 & Videoconference

In consideration of
HB991, HD1
RELATING TO THE HAWAII TECHNOLOGY DEVELOPMENT CORPORATION.

Chair Yamashita, Vice Chair Kitagawa and members of the Committee. The Department of Business Economic Development and Tourism (DBEDT) **supports** HB991, HD1, that increases the cap for awards to assist businesses applying for the Small Business Innovation Research Grant Program and the Small Business Technology Transfer Grant Program and adds purchasing of renewable energy systems as an eligible expense and clarifies that training on both new and existing manufacturing equipment is an eligible expense for the Manufacturing Development Grant Program.

DBEDT believes these Hawaii Technology Development Corporation (HTDC) core grant programs provide leverage and positive economic development value for the State. DBEDT supports these programs that help diversify the State's economy by providing grant incentives for manufacturers and small businesses conducting research for the federal government.

Thank you for the opportunity to testify.



Written Statement of
Len Higashi
 Executive Director
 Hawaii Technology Development Corporation
 before the
House Committee On Finance
 Monday, February 27, 2023
 10:00 a.m.
 Conference Room 308 & Videoconference

In consideration of
HB991, HD1
RELATING TO HAWAII TECHNOLOGY DEVELOPMENT CORPORATION.

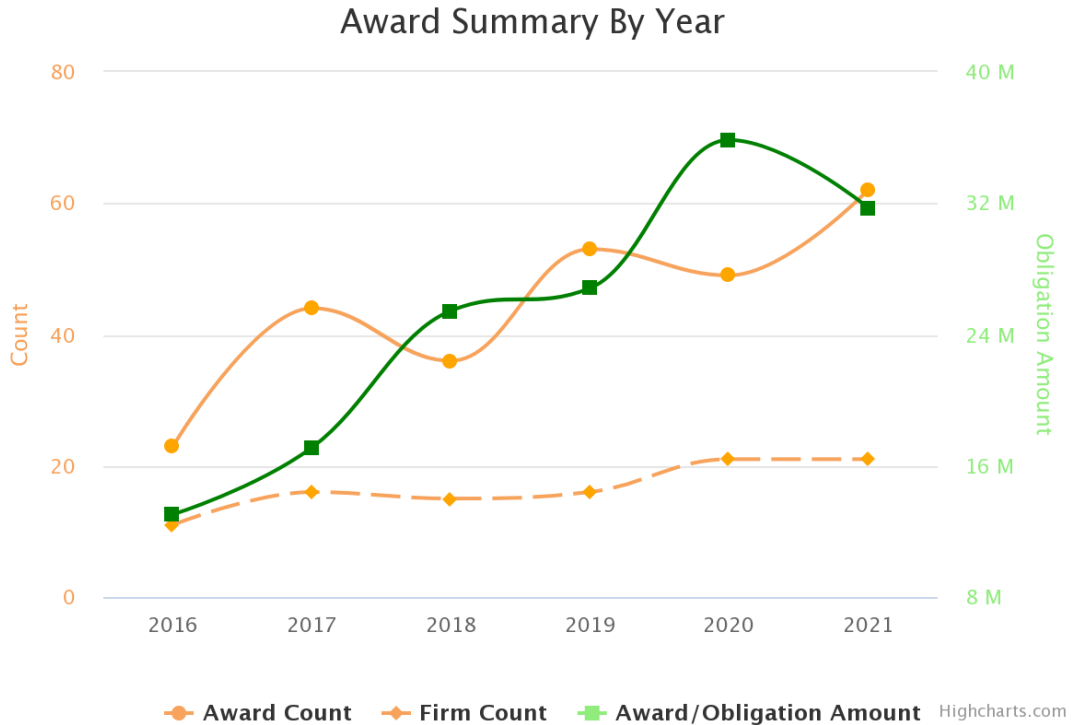
Chair Yamashita, Vice Chair Kitagawa, and Members of the Committee.

The Hawaii Technology Development Corporation (HTDC) **supports** HB991, HD1 that increases the cap for awards to assist businesses applying for the Small Business Innovation Research Grant Program and the Small Business Technology Transfer Grant Program and adds purchasing of renewable energy systems as an eligible expense and clarifies that training on both new and existing manufacturing equipment is an eligible expense for the Manufacturing Development Grant Program.

HTDC supports initiatives aimed at promoting technology and manufacturing jobs. HTDC has been providing Phase I matching grants to Small Business Innovation Research (SBIR) awarded companies since 1989 and started awarding Phase II and Phase III matching grants in FY16. A summary of the Phase II/III awards made by the matching grant program is listed below:

	FY16	FY17	FY18	FY19	FY20	FY21/22	FY22
Appropriation	\$2 MM	\$2 MM	\$1 MM	\$1.5 MM	\$1 MM	-	\$1.5MM
# of Applications	11	9	9	12	16	-	17
# of Awards	7	8	5	6	14	-	TBD
\$\$ Awarded	\$2 MM	\$1.9 MM	\$900 K	\$1.4 MM	\$900K	-	TBD
Federal SBIR \$\$ (match)	\$7.9 MM	\$10.9MM	\$8.0 MM	\$11MM	\$53MM	-	\$20MM
Estimated New Jobs	17	70	15	135	509	-	TBD

A chart of the federal SBIR awarded to Hawai'i companies follows. Note: the difference between the federal SBIR dollars reported in the table above versus the federal SBIR dollars charted below are due to the lag between the calendar year that the Federal dollars are awarded versus the state fiscal year that the Hawai'i SBIR matching grant is awarded. The companies are eligible to apply for Hawai'i State matching grants while the SBIR project is active, which is typically 18-24 months.



data from sbir.gov/awards

The data shows an upward trend in the amount of Federal dollars the industry is awarded each year. The federal SBIR funds are highly competitive with a fixed budget each year. Therefore, the industry is securing for Hawai'i federal funds that would otherwise be awarded to companies in other states. Every year, there have been more qualified applicants than available funds. Since the Phase II/III program started in FY16, none of the applicants have received the full eligible amount. Over time, the program is anticipated to generate the same type of metrics of success as the Phase I matching program. For every dollar invested through the Hawai'i SBIR program, Hawai'i companies have attracted over 20 federal dollars in return to the State, plus commercialization funding.

HTDC is working with the University of Hawai'i Office of Innovation and Commercialization to continue growing the pipeline of companies pursuing SBIR funds and with several Department of Defense (DoD) and DoD related groups on developing further commercialization opportunities for Hawai'i companies developing new technologies.

The bill increases the amount of funds provided to first time applicants from \$3,000 to \$6,000. The funding is provided as a reimbursement for grant writing assistance to increase a company's chance of success. HTDC aims to encourage and assist new applicants to compete for the available federal SBIR funds by increasing the cap for grant writing assistance which is no longer sufficient.

Manufacturing Development Program (aka Manufacturing Assistance Program – MAP)

HTDC has been providing MAP matching grants to manufacturers since FY16. A summary of the awards made by the matching grant program is listed below:

	FY16	FY17	FY18	FY19	FY20	FY21/22	FY23
Appropriation	\$2 MM	\$1 MM	\$1 MM	\$1 MM	\$500 K	-	\$1MM
# of Applications	82	42	51	69	45	-	85
# of Awards	51	25	29	37	18	-	TBD
\$\$ Awarded	\$2 MM	\$932K	\$931K	\$899K	\$486 K	-	TBD
Company investment	\$31 MM	\$5.5 MM	\$13.6 MM	\$13.4 MM	\$9.0 MM	-	TBD
Estimated New Jobs	-	353	230	465	281	-	TBD

Every year, there have been more qualified applicants than available funds. The funding awarded to companies provides a partial reimbursement (20%) for equipment upgrades and other eligible expenses. Through our federally funded INNOVATE Hawai'i program, HTDC provides wrap-around support services for the matching grants to help Hawai'i manufacturers become more globally competitive.

Hawai'i manufacturers play an important role in our economy, for food-security, sustainability, resilience initiatives, and is an important driver for innovation.

The bill aims to increase workforce productivity and wages by expanding the definition of skilled workforce training as an eligible expense for the MAP Grant program. HTDC is adding renewable energy systems as an eligible expense to help manufacturers offset high energy costs in Hawai'i.

HTDC believes these core grant programs provide leverage and positive economic development value for the State. HTDC is requesting these changes to strengthen the programs. HTDC respectfully requests correction of the defective effective date.

Thank you for the opportunity to offer these comments.



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Finance
Monday, February 27, 2023, at 10:00 A.M.
Conference Room 308 & Videoconference**

RE: HB 991 HD1 Relating to the Hawaii Technology Development Corporation

Chair Yamashita, Vice Chair Kitagawa, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 991 HD1, which changes the cap for awards to assist businesses applying for the Small Business Innovation Research Grant Program and the Small Business Technology Transfer Grant Program to an unspecified amount. Adds purchasing of renewable energy systems as an eligible expense, and clarifies that training on both new and existing manufacturing equipment is an eligible expense, for the Manufacturing Development Grant Program

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.

The Small Business Innovation Research Program (SBIR) is a highly competitive federal program that encourages domestic small businesses to engage in federal research and development that has the potential for commercialization. Through the Hawaii SBIR Program, Hawaii-based companies receive matching funds that can help them to enhance their project development, compete for more lucrative awards and ultimately reach successful commercialization.

Central to the Small Business Technology Transfer Grant Program (STTR) is the partnership between small businesses and nonprofit research institutions. The STTR program requires the small business to formally collaborate with a research institution in Phase I and Phase II. STTR's most important role is to bridge the gap between performance of basic science and commercialization of resulting innovations.

The Hawaii Technology Development Corporation has provided assistance to SBIR awarded companies since 1988; as a result, Hawaii companies have attracted federal dollars in return to the state plus commercialization funding for every state dollar invested through this program. The federal SBIR grant program has continued its efforts to move companies through grant awards to commercial product sales, and this bill would allow the Hawaii Technology Development Corporation to continue to provide the necessary support of a commercialization assistance program to all phases in the program for local businesses here in Hawaii.



The Chamber of Commerce Hawaii believes an increase in funding would spur more economic growth for our small businesses and continue the advancement of technology and innovation through an increase in research and development.

Thank you for the opportunity to testify.



Statement of
Hermann Kugeler
Vice President of Business Development
Makai Ocean Engineering, Inc.
before the
House Committee on Finance
Monday, February 27, 2023
10:00 am
Videoconference
State Capitol, Conference Room 308
In consideration of
HB991
RELATING TO THE HAWAII TECHNOLOGY DEVELOPMENT CORPORATION.

Chair Yamashita, Vice Chair Kitagawa, and Members of the Committee.

Makai Ocean Engineering, Inc. **SUPPORTS HB991** that changes the cap for awards to assist businesses applying for the Small Business Innovation Research Grant Program and the Small Business Technology Transfer Grant Program to an unspecified amount.

Makai Ocean Engineering, Inc. is a locally-owned and operated technology company based in Hawaii for 50 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 really provide a means of development for companies to transition the idea and research conducted in Phase I, to prototyping to commercialization.

According to HTDC, for every dollar invested through this program, Hawaii companies have attracted nearly 15 federal dollars in return to the state, plus commercialization funding. The Hawaii SBIR program supports projects with vetted technology backed with federal funds. The state matching funds are critical in advancing development, which helps win later phase awards and assists in getting the technology out into the market. The SBIR matching grants assist companies that have a commercially-promising project that has a difficult development plan. Carefully selected matching grants represent more of a “sure bet” in terms of a successful and highly leveraged investment in economic development for the State, and growing our tech sector.

For example, Makai’s subsea cable laying software began as a Phase 1 SBIR (matched by State for \$20k in the year 2000) and then went on to Phase 2 and 3 and became the world’s #1 commercial cable laying software, with over \$35 million in commercial revenues and high tech jobs for Hawaii over the last 20+ years. This is a direct multiplier of more than 1,750X 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.

Makai is currently working on a Phase 2 SBIR program focused on development of a temperature sensing tow cable. Makai was also recently awarded a Phase III for this program. In



2018 HTDC awarded Makai an HSBIR Phase I grant for this program, that we believe was a key reason we were selected for the Phase II and III awards. This program alone, has already resulted in a direct multiplier of more than 120X the State's investment, in federal funds. This is expected to grow as the technology transitions to the Navy fleet and commercial markets in the coming years.

In addition, Makai and Referentia were two local companies honored with a national award, the SBIR Tibbetts Award at the Whitehouse in January, 2017. This award recognizes the very best SBIR companies in the country whose technologies have made a strong economic impact in terms of high paying jobs, and displaying success in **actually commercializing federal R&D**. We need this HTDC administered program to make possible more national success stories by local companies.

Makai Ocean Engineering, Inc. has historically been an engineering services provider, but now, with the help of the State's current manufacturing assistance program, Makai is diversifying into low-volume manufacturing. Makai has been involved in marine-related engineering in Hawaii for over 44 years, and recently began a heat exchanger R&D program. Now, we are ramping up production from a small manufacturing plant for heat exchangers on the Big Island of Hawaii, which is sustaining approximately 8 highly-skilled, high-paying STEM / engineering jobs in rural Kona. We have a strategic advantage for developing and manufacturing low-volumes of these components in Hawaii for two reasons: the U.S. Navy and Air Force's presence in Hawaii, and Makai already owns and operates a marine heat exchanger test facility and marine corrosion lab on the Big Island. As an example, Makai was recently awarded a contract to design a new heat exchanger for the U.S. Air Force's next generation aircraft, and we hope to be manufacturing units over the coming years.

The program limits reimbursement to 20% of qualified expenses capped at \$100,000. Because they are matching funds, a manufacturer is eligible only if they are already making an investment in the local community and providing jobs. The program amplifies these efforts, and shows the State's support for local manufacturers willing to make the investment and commitment to adding jobs, and growing their businesses and the industry in Hawaii.

This is why we **SUPPORT HB991**, which would provide the state matching funds for federal SBIR programs and manufacturing assistance to enable companies 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 and manufacturing, it would provide highly-skilled professional jobs for our keiki here at home.

Thank you for the opportunity to offer these comments.



LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

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TO: Committee on Finance

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: Friday, February 27, 2023
TIME: 10am
PLACE: Via Videoconference

RE: HB991 Relating to the Hawaii Technology Development Corporation

Position: Support

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, and distributors of food and beverage related products in the State of Hawaii.

HFIA is in support of this measure. Many local businesses have successfully made use of the programs that this measure supports and we believe the changes mentioned here will make them even more beneficial.

Allowing for the purchasing of renewable energy as an eligible expense for the Manufacturing Development Grant Program helps promote renewable energy usage and integrate sustainable energy into our local manufacturing sector. Clarifying that training is an eligible expense for this program also helps promote local manufacturing and workforce development within this sector.

We urge the committee to pass this measure and we thank you for the opportunity to testify.