
A BILL FOR AN ACT

RELATING TO TECHNOLOGY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that the Hawaii small
2 business innovation research program has been instrumental in
3 ensuring that Hawaii businesses win coveted federal research and
4 development funding through the federal small business
5 innovation research program. This program has also assisted
6 Hawaii businesses in efforts to further develop their
7 intellectual property.

8 The legislature further finds that although the program is
9 successful, the limitation of the current Hawaii small business
10 innovation research program to only phase I awards means local
11 businesses are limited from being able to fully commercialize
12 and translate their research into economic gains and job
13 opportunities.

14 The purpose of this Act is to expand the Hawaii small
15 business innovation research program by authorizing the high
16 technology development corporation to provide grants to Hawaii
17 businesses that are recipients of phase II or phase III, rather



1 than only phase I, awards or contracts from participating
2 federal agencies.

3 SECTION 2. Section 206M-15, Hawaii Revised Statutes, is
4 amended to read as follows:

5 "**§206M-15 High technology research and development loans**
6 **and grants.** (a) All moneys necessary to carry out the purposes
7 of this section shall be allocated by the legislature through
8 appropriations out of the state general fund. The development
9 corporation shall include in its budgetary request for the
10 upcoming fiscal period, the amounts necessary to effectuate the
11 purposes of this section. All moneys, interest charges, and
12 other fees collected by the development corporation under this
13 section shall be deposited to the credit of the state general
14 fund. In making any expenditure under this section, the
15 development corporation shall analyze each funding request to
16 determine whether the project to be undertaken will be
17 economically viable and beneficial to the State.

18 (b) The development corporation may provide grants to any
19 business in Hawaii that:

20 (1) Receives a federal small business innovation research
21 phase I, II, or III award or contract from any



1 participating federal agency, up to [~~fifty~~] 50 per
2 cent of the amount of the federal award or contract;

3 (2) Receives a federal small business technology transfer
4 program award or contract from any participating
5 federal agency, up to [~~fifty~~] 50 per cent of the
6 amount of the federal award or contract; or

7 (3) Applies for a small business innovation research
8 federal grant or a small business technology transfer
9 program federal grant, in an amount not to exceed
10 \$3,000,

11 subject to the availability of funds.

12 (c) The development corporation shall adopt rules pursuant
13 to chapter 91 that:

14 (1) Specify the qualifications for eligibility of grant
15 applicants;

16 (2) Establish priorities in determining eligibility in the
17 event that insufficient funds are available to fund
18 otherwise qualified applicants; and

19 (3) Give preference to all qualified businesses receiving
20 their first award in one fiscal year over multiple
21 award grantees.



1 The development corporation may adopt any other rules pursuant
2 to chapter 91 necessary for the purposes of this section.

3 ~~(d) If funds appropriated for the purpose of making grants~~
4 ~~under this section are inadequate to satisfy all qualified~~
5 ~~requests, the development corporation shall apply for funds to~~
6 ~~be transferred from the Hawaii capital loan revolving fund to~~
7 ~~provide the grants in accordance with subsection (b). The~~
8 ~~amount of any single transfer of funds shall not exceed~~
9 ~~\$100,000, and the development corporation shall transfer the~~
10 ~~entire amount back to the Hawaii capital loan revolving fund~~
11 ~~within twelve months of receiving the funds. No more than one~~
12 ~~fund transfer shall be outstanding at any one time. The~~
13 ~~director of business, economic development, and tourism may~~
14 ~~transfer funds from the Hawaii capital loan revolving fund to~~
15 ~~the development corporation upon request to carry out the~~
16 ~~purposes of this section. Transfers of funds shall be made~~
17 ~~without any charges or fees.] "~~

18 SECTION 3. Statutory material to be repealed is bracketed
19 and stricken. New statutory material is underscored.

20 SECTION 4. This Act shall take effect on July 1, 2050.



Report Title:

Hawaii Small Business Innovation Research Program; Small
Business

Description:

Expands the current Hawaii small business innovation research program by providing matching funds for phase II and phase III awards in the interest of diversifying and stimulating Hawaii's economy. Effective 7/1/2050. (SD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.



Written Statement of
ROBBIE MELTON
Executive Director & CEO
High Technology Development Corporation
before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS
Tuesday, March 24, 2015
9:00 a.m.
State Capitol, Conference Room 312
In consideration of

SB1003 SD1 RELATING TO TECHNOLOGY.

Chair Kawakami, Vice Chair Kong, and Members of the Committee on Economic Development & Business.

The High Technology Development Corporation (HTDC)) **strongly supports** SB1003 SD1 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 State 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. SB1003 SD1 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. This funding would help create high wage jobs.

HTDC comments that additional funding would be required to provide matching grants for phase 2 and 3 and suggests that \$2,000,000 would be an appropriate amount.

Thank you for the opportunity to offer these comments.



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

Before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS

March 24, 2015

9:00 a.m.

State Capitol, Conference Room 312

In Support of

SB1003 RELATING TO TECHNOLOGY

To: Chair Derek S.K. Kawakami, Vice Chair Sam Satoru Kong and Members of the Committee

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

Re: Testimony in Support of SB1003

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony **in support of SB1003**

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.

SB1003 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.

SB1003 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.

SB1003 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 SB1003 and we appreciate your continued support of the technology industry.

Hawaii Evolutionary Development, LLC
2221 Seaview Avenue
Honolulu, HI 96822

Written Statement of Dr. Takashi Sugimura

Before the

Before the

COMMITTEE ON ECONOMIC DEVELOPMENT AND BUSINESS

March 24, 2015

9:00 am

State Capitol, Conference Room 312

In Support of

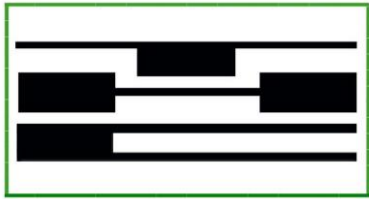
SB1003 RELATING TO TECHNOLOGY

TO: Honorable Chair Derek S.K. Kawakami, Vice-Chair Sam Satoru Kong and
Members of the Committee:

FROM: Dr. Tak Sugimura

RE: Testimony in Support of SB1003

Thank you for the opportunity to submit testimony in **strong support** of **SB1003**. I am one of the founders of Hawaii Evolutionary Development, LLC a local high technology start up. We have competed and won Air Force contracts for SBIR Phase I and SBIR Phase II worth over \$1million. Between the end of our Phase I and the beginning of Phase II, we were assisted by a State of Hawaii HSDC grant for \$25,000 that allowed us to write our SBIR Phase II proposal which we competed and won over intense competition. We are in the process of completing our SBIR Phase II contract and have been asked by the Air Force to submit a SBIR Phase III proposal which is the commercialization component of the SBIR program. The funding provided to successful local candidates under SB1003 will provide the "gap funding" to allow us to retain our employees and position Hawaii companies to compete for SBIR Phase III awards.



TEA HAWAII & COMPANY

Before the

COMMITTEE ON ECONOMIC DEVELOPMENT AND BUSINESS

March 24, 2015

2:45 p.m.

State Capitol, Conference Room 312

In Support of

SB1003 RELATING TO TECHNOLOGY

TO: Honorable Chair Derek S.K. Kawakami, Vice-Chair Sam Satoru Kong and Members of the Committee:

FROM: Eva Lee co-owner Tea Hawaii & Company

RE: Testimony in Support of SB1003

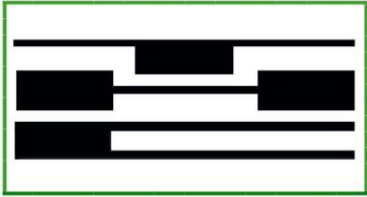
Dear Chair Derek Kawakami, Vice Chair Sam Kong and Members of the Committee. Tea Hawaii & Company strongly supports SB 1003. Our company was awarded recently a USDA/SBIR Phase I award that included support with a matching of Phase I by HTDC that has greatly helped us to advance technological development in Hawaii's agriculture furthering industry of Hawaii grown specialty crop Camellia sinensis teas executing innovative trade.

Companies in Hawaii that are developing cutting edge technologies, rely on federal support through the Small Business Innovation Research ("SBIR") grant program. Great ideas emerge from this early stage funding and these ideas and technologies are vetted and competed on 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. Follow on funding from the State is essential to move the technology towards prototyping, customer interface and development. SB1003 will fill this critical "gap" by supplementing the SBIR program. It will leverage the Hawaii Technology Development Corporation's grant program, which has been in place since 1983, and provided funds to the companies matching the SBIR Phase I grants. SB1003 would broaden the existing program by adding a matching grant component to mid-to-later-stage funding at the SBIR Phase II and Phase III stages to support the development of working prototypes that stem out of these technologies. As a small business owner SB1003 will help to advance Hawaii grown tea agriculture and improve global trade contributing to Hawaii's economy.

Thank you for the opportunity to submit testimony in **STRONG SUPPORT** of **SB1003**

Aloha, Eva Lee

PO Box 362 Volcano, Hawaii 96785
Tel/Fax (808) -967-7637 email teahawaii@gmail.com
www.teahawaii.com



TEA HAWAII & COMPANY

PO Box 362 Volcano, Hawaii 96785
Tel/Fax (808) -967-7637 email teahawaii@gmail.com
www.teahawaii.com

HAWAII FISH COMPANY INC

North Shore AquaFarm

Est. 1978

P. O. Box 740
Waiialua, HI 96791, USA
Contact: 808-429-3147
E-mail: hawaiiifish@gmail.com

City Bank TIGR Award
US SBA Tibbitts Award
US SBA Small Business Award
Special Congressional Recognition

Hawaii Fish Company Inc (HFC) strongly supports SB 1003 Relating to Technology.

HFC has been actively involved in the Federal and Hawaii SBIR program since 1993 during which time we have been awarded five USDA/SBIR Phase I awards and four Phase II awards. These grants have enabled HFC to research and develop new aquaculture products and technologies, and ultimately to become Hawaii's oldest commercial aquaculture farm.

Hawaii companies have been among the most successful in the nation in obtaining Federal Phase I awards but have not been as successful in their pursuit of Phase II research and development grants and Phase III commercialization efforts as have companies in some other states, due at least in part to Hawaii's physical remoteness and the high costs associated with doing research and business in Hawaii. This situation has been exacerbated by the limitations placed on the use of Federal SBIR funds, which: 1. Do not cover the costs associated with the protection of intellectual property developed under the SBIR program, such as obtaining critical patents; 2. May not cover the purchase of essential research equipment necessary to successfully carry out the R&D effort; and 3. Often cover only limited travel budgets, which places Hawaii companies at a clear disadvantage in being able to meet with the Federal agencies, National Program Leaders, Federal Laboratory and University researchers, in developing critical research and development collaborations, and in pursuing and maintaining critical national and international business relationships and partnerships that are often essential to a successful commercialization effort in our global economy. These inherent Federal programmatic constraints often place Hawaii technology companies at a disadvantage in the proposal review process as they compete with companies from other states that do not have Hawaii's geographic challenges and limited access to collaborative research support and equipment.

SB 1003 provides the opportunity for HTDC to help level the playing field for Hawaii's technology companies, enabling them to compete on more even footing for these increasingly scarce and competitive Federal SBIR Phase II research dollars and be more successful in their Phase II R&D and Phase III commercialization efforts. HFC strongly supports this important measure and urges its passage this session to help ensure the long term growth of Hawaii's technology sector including the development of cutting-edge agricultural and aquacultural technologies to help support increased local food production.

Written Statement of Strong Support

Before the COMMITTEE ON ECONOMIC DEVELOPMENT AND BUSINESS

March 24, 2015

2: 45 p.m.

State Capitol, Conference Room 312

In Support of SB1003 RELATING TO TECHNOLOGY

TO: Honorable Chair Derek S.K. Kawakami, Vice-Chair Sam Satoru Kong and Members of the Committee:

FROM: Elliot Parks, Ph.D., President and CEO, Hawaii Biotech Inc.

RE: Testimony in Support of SB1003

Thank you for the opportunity to submit testimony in STRONG SUPPORT

Written testimony in support of SB1003

As the President and CEO of Hawaii's oldest biotech company, I am pleased to write in support of SB1003. This legislation enables the continuation of a grant program ably administered by the Hawaii Technology Development Corporation (HTDC) since 1983. As we can attest at Hawaii Biotech Inc, the program provides funds ONLY to the companies with programs that have sustained the highest level of peer review and scrutiny from the Federal agency awarding Small Business Innovation Research (SBIR) grants.

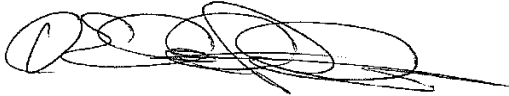
As you will appreciate, the Federal funds awarded under a SBIR grant is barely enough money to demonstrate proof-of-concept for a technology. Follow-on funding from the State is essential to move the technology towards prototyping, customer interface and development. SB1003 will fill this critical "gap" by supplementing the SBIR program.

Most importantly, the program fueled by SB1003 allows the high-tech and biotech companies receiving the SBIR grant and HTDC matching award to create and maintain jobs. The multiplier effect of these awards not only

enhances the economic viability of our state, but repays the State of Hawaii in payroll and general excise tax.

Please support SB1003.

Thank you,

A handwritten signature in black ink, appearing to read 'EPARKS', with a long horizontal line extending to the right.

Elliot Parks, Ph.D.
President & CEO
Hawaii Biotech Inc.
99-193 Aiea Heights Drive, # 200
Aiea, HI, 96701-3900
Email: eparks@hibiotech.com
808-792-1399 O
808-342-7281 M

Written Statement of Tissue Genesis, Inc.

Before the

COMMITTEE ON ECONOMIC DEVELOPMENT AND BUSINESS

March 24, 2015

2:45 p.m.

State Capitol, Conference Room 312

In Support of

SB1003 RELATING TO TECHNOLOGY

TO: Honorable Chair Derek S.K. Kawakami, Vice-Chair Sam Satoru Kong and Members of the Committee:

FROM: Tissue Genesis, Inc.

RE: Testimony in Support of SB1003

Thank you for the opportunity to submit testimony in **STRONG SUPPORT** of **SB1003**.

One of the fundamental pieces for companies to start up in the field of technology is the need for funding at the critical time of product development. In our industry of medical biotech, the development of a product is challenged by its need to be innovative and its ability to be developed in a regulative environment. The funding provided by the SBIR I program allows the product to get definition and the support by Hawaii to that program puts some additional strength to it. The SBIR II programs gives support for the full development of the product, but does not provide enough support to staff the development. Additional Hawaii support to the SBIR II program will allow for proper staffing for the product in development. Your support of this measure will allow for both enhance product development and immediate staffing, which gives the greatest potential for more employment once our product is launched.

Thank you for the opportunity to submit my testimony in Strong Support of SB 10033.

Anton C. Krucky

President & CEO

Tissue Genesis, Inc.



3D Innovations
2800 Woodlawn Drive, Suite #101
Honolulu, HI 96822
Tel: 808.722.8667
info@3d-innovations.com
<http://www.3d-innovations.com>

Written Statement of

Collin Kobayashi
President
3D Innovations

Before the
COMMITTEE ON ECONOMIC DEVELOPMENT AND BUSINESS
March 24, 2015
2:45 p.m.
State Capitol, Conference Room 312
In Support of
SB1003 RELATING TO TECHNOLOGY

TO: Honorable Chair Derek S.K. Kawakami, Vice-Chair Sam Satoru Kong and Members of the Committee:

FROM:

RE: Testimony in Support of SB1003

Thank you for the opportunity to submit testimony in **STRONG SUPPORT** of SB1003.

HTDC has been a valuable partner on providing information and resources for SBIR grants, and continued promotion/support for developing manufacture ready technologies. Companies relying on SBIR funding need to fully demonstrate the proof of concept for their technology. In doing so, Phase I funding is often not enough to fully build, prototype, and demonstrate the necessary information to obtain follow on Phase II funding.

These matching funds would allow companies to obtain the necessary support to broaden their research and would be a critical supplement to the initial funding that would be provided.

Thank you for the opportunity to offer testimony on this bill.

Sincerely,

Collin Kobayashi
President
3D Innovations, LLC



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the Senate Committee on Ways and Means
Tuesday, March 24, 2015 at 9:00 A.M.
Conference Room 312, State Capitol**

RE: SENATE BILL 1003 SD1 RELATING TO TECHNOLOGY

Chair Kawakami, Vice Chair Kong, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **supports** SB 1003 SD1, which expands the current Hawaii small business innovation research program by providing matching funds for phase II and phase III awards in the interest of diversifying and stimulating Hawaii's economy.

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. SB 1003 SD1 would allow HTDC to provide the necessary support of a commercialization assistance program.

Thank you for the opportunity to testify.

kong2 - Brenden

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 22, 2015 9:21 PM
To: edbtestimony
Cc: amybrinker@mac.com
Subject: *Submitted testimony for SB1003 on Mar 24, 2015 09:00AM*

SB1003

Submitted on: 3/22/2015

Testimony for EDB on Mar 24, 2015 09:00AM in Conference Room 312

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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kong2 - Brenden

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 23, 2015 8:10 AM
To: edbtestimony
Cc: bkays@navatekltd.com
Subject: *Submitted testimony for SB1003 on Mar 24, 2015 09:00AM*

SB1003

Submitted on: 3/23/2015

Testimony for EDB on Mar 24, 2015 09:00AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Brian Kays	Individual	Support	No

Comments:

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kong2 - Brenden

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 23, 2015 8:21 AM
To: edbtestimony
Cc: tjpeltzer@hawaii.rr.com
Subject: Submitted testimony for SB1003 on Mar 24, 2015 09:00AM

SB1003

Submitted on: 3/23/2015

Testimony for EDB on Mar 24, 2015 09:00AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Todd Peltzer	Individual	Support	No

Comments: I strongly support this bill, which will provide much-needed funding for Hawaii tech companies to transition technologies to actual products. Hawaii's small but vibrant tech industry is a critical element of our future economy.

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kong2 - Brenden

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 23, 2015 8:29 AM
To: edbtestimony
Cc: gary@navatekltd.com
Subject: Submitted testimony for SB1003 on Mar 24, 2015 09:00AM

SB1003

Submitted on: 3/23/2015

Testimony for EDB on Mar 24, 2015 09:00AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Gary Shimosono	Individual	Support	No

Comments: I strongly support SB1003

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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kong2 - Brenden

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 23, 2015 8:48 AM
To: edbtestimony
Cc: eschiff5@gmail.com
Subject: Submitted testimony for SB1003 on Mar 24, 2015 09:00AM

SB1003

Submitted on: 3/23/2015

Testimony for EDB on Mar 24, 2015 09:00AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Eric Schiff	Individual	Support	No

Comments: I strongly support SB1003.

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.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 23, 2015 9:00 AM
To: edbtestimony
Cc: stcomalley@gmail.com
Subject: Submitted testimony for SB1003 on Mar 24, 2015 09:00AM

SB1003

Submitted on: 3/23/2015

Testimony for EDB on Mar 24, 2015 09:00AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Sean O'Malley	Individual	Support	No

Comments: Written Statement of Sean O'Malley, Ph.D. Before the COMMITTEE ON ECONOMIC DEVELOPMENT AND BUSINESS March 24, 2015 2:45 p.m. State Capitol, Conference Room 312 In Support of SB1003 RELATING TO TECHNOLOGY TO: Honorable Chair Derek S.K. Kawakami, Vice-Chair Sam Satoru Kong and Members of the Committee: FROM: RE: Testimony in Support of SB1003 Thank you for the opportunity to submit testimony in STRONG SUPPORT of SB1003. The federal SBIR program provides valuable incentives for the hi tech community, and enables visionary ideas to be realized; however it contains gaps in support of certain activities required for successful completion of the necessary steps. Additional support from the state in this regard will make Hawaii more competitive with other states in terms of how desirable it is for hi tech businesses to start up (and continue) in the state; it will also attract private investment from those seeking to be part of a stable hi tech industry scene. Please support this bill. Sincerely, Sean O'Malley Senior Scientist Hawaii Biotech, Inc.

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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LATE

Written Statement of John N. Porter

Before the

COMMITTEE ON ECONOMIC DEVELOPMENT AND BUSINESS

March 24, 2015

2:45 p.m.

State Capitol, Conference Room 312

In Support of

SB1003 RELATING TO TECHNOLOGY

TO: Honorable Chair Derek S.K. Kawakami, Vice-Chair Sam Satoru Kong and
Members of the Committee:

FROM: Dr. John N. Porter

Soft Money Researcher at University of Hawaii for past 22 years,
Owner of 3SRM Inc. (Environmental Sensing Company)

RE: Testimony in Support of SB1003

Thank you for the opportunity to submit testimony in STRONG SUPPORT of SB1003. I recently received a Phase 1 NOAA award for my proposal for using stereo cameras to measure coastal rip currents. The State of Hawaii matching funds (\$25,000) has been very useful in supporting the development process during the down time between the Phase 1 and the Phase 2 grants. It has allowed progress to continue in sensor development and testing. Matching funds for the phase 2 project would also be very useful for similar reasons. Along with financial support, the state is also providing valuable support by organizing meeting which focus on different aspects of small company development. For these reasons I strongly support the States efforts to assist small companies in growing their business through the early stages of development.

Sincerely

John N. Porter



LATE

Written Statement of Duke Hartman, Vice President of Business Development,
Makai Ocean Engineering, Inc.

before the

COMMITTEE ON ECONOMIC DEVELOPMENT AND BUSINESS

March 24, 2015

2:45 p.m.

State Capitol, Conference Room 312

In Support of

SB1003 RELATING TO TECHNOLOGY

TO: Honorable Chair Derek S.K. Kawakami, Vice-Chair Sam Satoru Kong and Members
of the Committee:

FROM: Duke Hartman, Vice President of Business Development, Makai Ocean Engineering

RE: Testimony in Support of SB1003

Thank you for the opportunity to submit testimony in **STRONG SUPPORT** of **SB1003**.

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 SB1003**, 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,

Duke Hartman