



**Testimony to the Senate Committee on Economic Development and  
Technology**

**Wednesday, February 4, 2015 at 2:45 P.M.  
Conference Room 016, State Capitol**

**LATE**

**RE: SENATE BILL 1003 RELATING TO TECHNOLOGY**

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

The Chamber of Commerce of Hawaii ("The Chamber") **supports** SB 1003, 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. Also repeals the requirement that the high technology development corporation adopt administrative rules for the implementation of the program, including rules to specify eligibility requirements, priorities, and preferences for grants.

The Chamber is the largest business organization in Hawaii, representing over 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.

We request that the bill be amended to keep section (c) which defines the rules for administering the matching grant program. For clarification, we request that the following should remain in the statute:

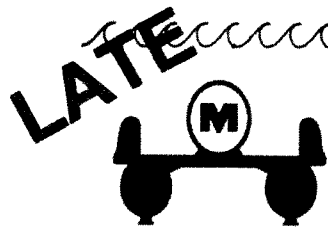
- (c) The development corporation shall adopt rules pursuant to chapter 91 that:
- (1) Specify the qualifications for eligibility of grant applicants;
  - (2) Establish priorities in determining eligibility in the event that insufficient funds are available to fund otherwise qualified applicants; and
  - (3) Give preference to all qualified businesses receiving their first award in one fiscal year over multiple award grantees.



Chamber *of* Commerce HAWAII  
*The Voice of Business*

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

Thank you for the opportunity to testify.



# MAKAI OCEAN ENGINEERING, INC.

P.O. BOX 1206 KAILUA, OAHU, HAWAII 96734 USA

Written Statement of Duke Hartman, Vice President, Makai Ocean Engineering, Inc.  
before the  
**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY**  
Wednesday, February 04, 2015  
2:45 PM  
State Capitol, Conference Room 016  
In consideration of  
**SB 1003, 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 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 operating 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 stage 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 nearly \$4 million in Navy research and development (R&D) money to the State. 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 enough 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. This means that carefully selected Phase 2 and 3 matching grants represent more of a “sure bet” in terms of becoming a highly leveraged and impactful investment in the economic development for the State.

This is why we **STRONGLY SUPPORT SB1003**, which would provide the state matching funds for Phases II and III 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