



Statement of  
**Robbie Melton**  
Executive Director & CEO  
High Technology Development Corporation  
before the  
**House Committee on Finance**  
Wednesday, March 30, 2016  
3:00 p.m.  
State Capitol, Conference Room 308

In consideration of  
**SB3110 SD1 HD1**  
**RELATING TO TECHNOLOGY.**

Chair Luke, Vice Chair Nishimoto, and Members of the Committee on Finance.

The High Technology Development Corporation (HTDC) **supports** SB3110 SD1 HD1 that extends the appropriation to HTDC to provide grants to businesses with a federal small business innovation research (SBIR) phase II or III award through fiscal year 2016-2017 and makes a new appropriation for 2016-2017.

As part of HTDC's vision to create 80,000 new innovation jobs in Hawaii earning \$80,000 or more by 2030, HTDC supports initiatives aimed at promoting technology and innovation jobs. HTDC has been providing matching grants to SBIR awarded companies since 1989. For every dollar invested through this program, Hawaii companies have attracted 20 federal dollars in return to the state, plus commercialization funding. Last year, through Act 216, the legislature appropriated \$2 million to expand the Hawaii SBIR program to include companies winning SBIR phase II and phase III awards. And in late February 2016, Governor Ige approved the administrative rules to expand the program.

HTDC anticipates awarding all of the fiscal year 2015-2016 appropriated funds. Currently we already have received 6 Phase II applications requesting \$2.4 million state match for \$6.6 million of Federal SBIR awards. We anticipate 3 more applications this year. There are more federal Phase II SBIR award winning projects eligible for a matching grant than there are available funds. HTDC believes this program provides leverage and positive economic development value for the State by supporting projects with vetted technology and backed with federal funds. Over time, the expanded program is anticipated to generate the same type of metrics of success as the Phase I only matching program.

HTDC supports this bill to extend the lapse date of the appropriation made last year to allow HTDC more time to review and process applications and to make a new appropriation for 2016-2017 to continue the program. HTDC respectfully requests correction of the defective effective date.

Thank you for the opportunity to offer these comments.



**Testimony to the House Committee on Finance  
Wednesday, March 30, 2016 at 3:00 P.M.  
Conference Room 308, State Capitol**

**RE: SENATE BILL 3110 SD 1 HD 1 RELATING TO TECHNOLOGY**

Chair Luke, Vice Chair Nishimoto, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** SB 3110 SD 1 HD 1, which requires that the fiscal year 2015-2016 appropriation to DBEDT for HTDC to provide grants to businesses with a federal small business innovation research phase II or III award shall lapse by June 30, 2017, and not at the end of fiscal year 2015-2016. Appropriates funds to DBEDT for HTDC to provide grants to businesses with a federal small business innovation research phase II or III award for fiscal year 2016-2017.

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 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 3110 SD 1 HD 1 would allow HTDC to continue to provide the necessary support of a commercialization assistance program.

We appreciate the intent to extend the small business innovation research program and would like to request that the appropriation language in the House bill be added to this version. This program has become a positive resource to aid companies through the commercialization process.

Thank you for the opportunity to testify.



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

Before the  
**HOUSE COMMITTEE ON FINANCE**  
March 30, 2016  
3:00 a.m.  
State Capitol, Conference Room 308  
In Support of  
**SB3110 RELATING TO TECHNOLOGY**

To: Chair Representative Sylvia Luke, Vice Chair Representative Scott. Y. Nishimoto  
and Members of the Committee

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

Re: Testimony in Support of SB3110

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony **in support of SB3110**

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. The continuation of the SBIR Phase II and III grants is crucial for the maturation and commercialization of Hawaii's technology companies.

The objectives of the SBIR Phase II and III grants 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 SB3110 and we appreciate your continued support of the technology industry.

# HAWAII FISH COMPANY

*Since 1978*

P. O. Box 740  
Waialua, HI 96791, USA  
Contact: 808-429-3147  
E-mail: [hawaiifish@gmail.com](mailto:hawaiifish@gmail.com)

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

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THE HOUSE  
THE TWENTY-EIGHTH LEGISLATURE  
REGULAR SESSION OF 2016

COMMITTEE ON FINANCE

Rep. Sylvia Luke, Chair  
Rep. Scott Y. Nishimoto, Vice Chair

DATE: Wednesday, March 30, 2016  
TIME: 3:00 P.M.  
PLACE: Conference Room 308  
State Capitol  
415 South Beretania Street

**SB 3110, SD1, HD1 RELATING TO TECHNOLOGY**

Aloha Chair Luke, Vice Chair Nishimoto, and Committee Members:

Hawaii Fish Company (HFC) strongly supports SB 3110, SD1, HD1.

HFC has been awarded nine USDA/SBIR awards since 1993 comprised of five Phase I awards and four Phase II awards. These awards have totaled \$1.8 M in Federal research dollars for our family-owned North Shore fish farm, providing an approximate 20:1 return on our Hawaii SBIR Phase I matching grants. However, we have always had to secure funds to complete our Phase II R&D grants and to pursue subsequent Phase III commercialization because of the high costs associated with doing research and business in Hawaii, and due to the fact that most of our research and operational supplies must be shipped in from the mainland.

In addition, Federal SBIR funds often do not cover the purchase of essential research equipment necessary to successfully carry-out the R&D effort, do not cover the costs associated with the protection of intellectual property developed under the SBIR program, such as preparing non-disclosure agreements and obtaining critical patents; and cover only cover limited travel expenses, not the high trans-Pacific travel expenses necessary to meet with Federal program managers and R&D collaborators.

SB 3110, SD1, HD1 will provide Phase II and III matching funds that will help companies like HFC to compete more effectively with our mainland counterparts for these increasingly scarce

and competitive Federal SBIR Phase II research dollars and Phase III commercialization investments, and to more completely develop and protect our intellectual property. For our company, these efforts in turn contribute to providing rural employment, contributing to the economy of rural Hawaii, and improving Hawaii's food security and sustainability.

HFC strongly supports this important measure, which will help our company develop cutting-edge aquacultural and aquaponic technologies for increased local food production.

Mahalo for your support.

Ron and Estralita Weidenbach  
Hawaii Fish Company, Co-Owners

Statement of  
**Doug Nelson**  
**President**  
**Studio Kinection, Inc. (dba “Kinection”)**  
before the  
**House Committee on Finance**  
Wednesday, March 30, 2016  
3:00 p.m.  
State Capitol, Conference Room 308

In consideration of  
**SB3110 SD1 HD1**  
**RELATING TO TECHNOLOGY.**

Chair Luke, Vice Chair Nishimoto, and Members of the Committee on Finance.

Kinection **strongly supports** SB3110 SD1 HD1 that extends the appropriation to HTDC to provide grants to businesses with a federal small business innovation research (SBIR) phase II or III award through fiscal year 2016-2017 and makes a new appropriation for 2016-2017

Companies that successfully complete Phase II often face a “valley of death” situation where they lack the funds and the partnerships to move from the working prototype developed under SBIR funding to a commercial product that can sustain itself in the market. This is where the HTDC matching funds can make a crucial difference for Phase II companies. The HTDC funding can act as a bridge to bring Phase II prototypes to the commercial market.

According to HTDC for every dollar invested through this program, Hawaii companies have attracted 20 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 to winning later phase awards and getting some of the technologies to market.

Thank you for the opportunity to offer these comments.

Statement of

Dr. Tak Sugimura  
Hawaii Evolutionary Development, LLC  
2221 Seaview Avenue  
Honolulu, HI 96822

before the

## **House Committee on Finance**

Wednesday, March 30, 2016  
3:00 p.m.  
State Capitol, Conference Room 308

In support of

**SB3110 SD1 HD1**

### **RELATING TECHNOLOGY**

**To:** Chair Luke, Vice Chair Nishimoto, and Members of the Committee on Finance.

Hawaii Evolutionary Development, LLC **strongly supports** SB3110 SD1 HD1 that extends the appropriation to HTDC to provide grants to businesses with a federal small business innovation research (SBIR) phase II or III award through fiscal year 2016-2017 and makes a new appropriation for 2016-2017.

Our company was supported by HTDC to capture SBIR Phase I and Phase II grants from the US Air Force valued at over \$1,500,000. We are collaborating with Lockheed-Martin, Inc. to build a prototype and compete for a SBIR Phase III award for over \$2,000,000 focused on commercialization. Without the State funds through HTDC we will have a difficult time being successful.

According to HTDC for every dollar invested through this program, Hawaii companies have attracted 20 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 to winning later phase awards and getting some of the technologies to market.

Thank you for the opportunity to offer these comments.



**HYPERSPECTIVE**  
INSPIRE BELIEF

Statement of:  
Todd J. Robertson  
Hyperspective  
Before the  
**House Committee on Finance**  
Wednesday, March 30, 2016  
3:00 p.m.  
State Capitol, Conference Room 308

In consideration of

**SB3110 SD1 HD1**

**RELATING TO TECHNOLOGY.**

Chair Luke, Vice Chair Nishimoto, and Members of the Committee on Finance.

Hyperspective **strongly supports SB3110 SD1 HD1** that extends the appropriation to HTDC to provide grants to businesses with a federal small business innovation research (SBIR) phase II or III award through fiscal year 2016-2017 and makes a new appropriation for 2016-2017.

Hyperspective is a digital creative agency, focused on developing cutting edge technology for communications, media and products within the State of Hawaii for global export. As a technology company, Hyperspective and companies like ours benefit from having a thriving tech industry directly through opportunities to create new products for our customers, and also by creating ancillary business opportunities through a thriving economic ecosystem. Not only does this program pose a huge potential to grow the economy, but also helps to build an ecosystem of companies that attract large-scale business, talent and investments to Hawaii.

According to HTDC for every dollar invested through this program, Hawaii companies have attracted 20 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 to winning later phase awards and getting some of the technologies to market.

Thank you for the opportunity to offer these comments.



# First Commercial Kitchen LLC

94-538 Puahi St., Ste A., Waipahu, HI 96797  
Ph: 808-676-0880 Fax: 808-676-0400

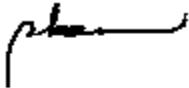
TO:  
House Committee on Finance  
Wednesday, March 30, 2016  
3:00 p.m.  
State Capitol, Conference Room 308

In consideration of

SB3110 SD1 HD1  
RELATING TO TECHNOLOGY.

Chair Luke, Vice Chair Nishimoto, and Members of the Committee on Finance. First Commercial Kitchen LLC strongly supports SB 3110 SD1 HD1 that extends the appropriation to HTDC to provide grants to businesses with a federal small business innovation research (SBIR) phase II or III award through fiscal year 2016-2017 and makes a new appropriation for 2016-2017. This is a unique opportunity for our business to comply with current regulatory standards, as well as improve our processing capacity to improve Hawaii's economy. We also foresee hiring additional personnel to accommodate increased production. According to HTDC for every dollar invested through this program, Hawaii companies have attracted 20 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 to winning later phase awards and getting some of the technologies to market.

Thank you



Peter Kam  
LLC Managing Partner

Statement of Dr. Michael Reiley, President, HNu Photonics  
before the House Committee on Finance  
Wednesday, March 30, 2016 3:00 p.m.  
State Capitol, Conference Room 308  
In consideration of SB3110 SD1 HD1 RELATING TO TECHNOLOGY.

Chair Luke, Vice Chair Nishimoto, and Members of the Committee on Finance, HNu Photonics strongly supports SB3110 SD1 HD1 that extends the appropriation to HTDC to provide grants to businesses with a federal small business innovation research (SBIR) phase II or III award through fiscal year 2016-2017 and makes a new appropriation for 2016-2017.

Recognizing that small businesses are the engine of economic growth in the United States, many Federal agencies fund early-stage research endeavors under the Small Business Innovative Research (SBIR) program. SBIR awards are extremely competitive with an overall win probability of about 15%.

These awards are firm fixed price at predetermined funding levels, regardless of the geographic location of the Company. This puts Hawaii companies at a distinct disadvantage to companies from many other states because our cost of doing business is so much higher. From salaries to facilities to taxes to travel expenses, it is much more difficult for Hawaii companies to deliver results to win awards for additional phases of SBIR research under a fixed budget.

The Hawaii SBIR matching grant program is crucial for leveling the playing field to enable Hawaii companies, who have been successful in winning an SBIR award, to deliver results of a caliber to secure funding for subsequent SBIR phases.

According to HTDC for every dollar invested through this program, Hawaii companies have attracted 20 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 to winning later phase awards and getting some of the technologies to market. Thank you for the opportunity to offer these comments.

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, March 29, 2016 2:58 PM  
**To:** FINTestimony  
**Cc:** kevink59@gmail.com  
**Subject:** Submitted testimony for SB3110 on Mar 30, 2016 15:00PM

**SB3110**

Submitted on: 3/29/2016

Testimony for FIN on Mar 30, 2016 15:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Kevin Kelly	Individual	Support	No

Comments: I strongly support funding for the Hawaii Small Business Innovation Research program.

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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Statement of  
**Duke Hartman**  
**Vice President, Business Development**  
**Makai Ocean Engineering, Inc.**  
before the  
**House Committee on Finance**  
Wednesday, March 30th, 2016 – 3:00 p.m.  
State Capitol, Conference Room 308

**LATE**

In consideration of  
**SB3110 SD1 HD1**  
**RELATING TO TECHNOLOGY.**

Chair Luke, Vice Chair Nishimoto, and Members of the Committee on Finance.

Makai Ocean Engineering, Inc. **STRONGLY SUPPORTS SB3110 SD1 HD1** that appropriates funds to continue the Small Business Innovation Research (SBIR) Program within the High Technology Development Corporation (HTDC).

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 a graduate student 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.

The Phase 2 and 3 SBIR matching grants assist companies with a difficult, but 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 a successful and highly leveraged investment in economic development for the State, and growing our tech sector.

According to HTDC for every dollar invested through this program, Hawaii companies have attracted 20 federal dollars in return to the state, plus commercialization funding. 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 \$30 million in commercial revenues and high tech jobs for Hawaii over the last 16 years. This is a direct multiplier of more than 1,500X 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 SUPPORTS SB3110 SD1 HD1**, which would provide the state matching funds for Phases 2 and 3 of the federal SBIR program 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, it would provide highly-skilled professional jobs for our keiki here at home.

Thank you for the opportunity to testify.