

SB 3110

Measure Title: RELATING TO TECHNOLOGY.

Report Title: Small Business Innovation Research Awards; High Technology Development Corporation; Appropriation (\$)

Description: Extends the appropriation to DBEDT for HTDC to provide grants to businesses with a federal small business innovation research phase II or III award through fiscal year 2016-2017.

Companion:
Package: None

Current Referral: EET/WAM

Introducer(s): WAKAI, BAKER, CHUN OAKLAND, ENGLISH, ESPERO, GALUTERIA, HARIMOTO, INOUYE, KEITH-AGARAN, NISHIHARA, SHIMABUKURO, Kidani, Kim, Riviere, Slom



**Testimony to the Senate Committee on Economic Development, Environment,
& Technology and Committee on Ways & Means
Friday, February 19, 2016 at 10:00 A.M.
Conference Room 211, State Capitol**

RE: SENATE BILL 3110 RELATING TO TECHNOLOGY

Chairs Wakai and Tokuda, Vice Chairs Slom and Dela Cruz, and Members of the Committees:

The Chamber of Commerce Hawaii ("The Chamber") **supports** SB 3110, which extends the appropriation to DBEDT for HTDC to provide grants to businesses with a federal small business innovation research phase II or III award through 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 would allow HTDC to continue to provide the necessary support of a commercialization assistance program.

Thank you for the opportunity to testify.



Statement of
Robbie Melton
Executive Director & CEO
High Technology Development Corporation
before the
Senate Committees on Economic Development, and Technology
And
Ways and Means
Friday, February 19, 2016
10:00 a.m.
State Capitol, Conference Room 211
In consideration of
SB3110
RELATING TO TECHNOLOGY.

Chairs Wakai and Tokuda, Vice Chairs Slom and Dela Cruz, and Members of the Committees.

The High Technology Development Corporation (HTDC) **supports with requested amendments** SB3110 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.

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. HTDC has prepared the amended rules for the grant program, completed all of the steps required by Administrative Directive 09-01 including conducting a public hearing, and awaiting Governor's final approval to adopt the rules to expand the program.

HTDC anticipates awarding all of the fiscal year 2015-2016 appropriated funds. From the SBIR.gov award database, there are more federal Phase II SBIR award winning projects eligible for matching grant than available 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 believes this program provides leverage and positive economic development value for the State by supporting projects with vetted technology and backed with federal funds.

HTDC supports the intent of this bill to extend the lapse date of the appropriation made last year to allow HTDC more time to review and process applications. However, we respectfully suggest the language be amended to follow the format referenced in the legislative drafting manual for non-lapsing appropriations. Thank you for the opportunity to offer these comments.



THE SENATE
THE TWENTY-EIGHTH LEGISLATURE
REGULAR SESSION OF 2016

COMMITTEE ON ECONOMIC DEVELOPMENT, ENVIRONMENT, AND TECHNOLOGY
Senator Glenn Wakai, Chair
Senator Sam Slom, Vice Chair

COMMITTEE ON WAYS AND MEANS
Senator Jill N. Tokuda, Chair
Senator Donovan M. Dela Cruz, Vice Chair

DATE: Friday, February 19, 2016

TIME: 10:00am

PLACE: Conference Room 211, State Capitol, 415 South Beretania Street

SB 3110 RELATING TO TECHNOLOGY.

Extends the appropriation to DBEDT for HTDC to provide grants to businesses with a federal small business innovation research phase II or III award through fiscal year 2016-2017.

Aloha Chair Wakai, Vice Chair Slom, Chair Tokuda, Vice Chair Dela Cruz, and Committee Members:

The Hawaii Aquaculture and Aquaponic Association (HAAA) strongly supports SB 3110 Relating to Technology.

Hawaii's aquaculture companies have been quite successful in obtaining Federal SBIR Phase I feasibility awards. However, they have sometimes been less successful than aquaculture companies in other states in their pursuit of Phase II R&D awards and Phase III commercialization efforts, due in part to Hawaii's physical remoteness and the high costs associated with doing R&D and business in Hawaii.

This situation is exacerbated by the strict 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 preparing non-disclosure agreements and obtaining critical patents;

2. May not cover the purchase of essential research equipment necessary to successfully carry-out the R&D effort; and

3. May only cover limited travel expenses, and not high trans-Pacific travel expenses.

These Federal programmatic limitations often place Hawaii companies at a clear disadvantage in:

1. Being able to meet with Federal agencies, National Program Leaders, and Federal Laboratory and University researchers;

2. In developing and carrying-out critical R&D collaborations; and

3. In pursuing and maintaining critical national and international business relationships and partnerships.

Such grant-related activities are often essential to the successful completion of a technology R&D effort, and the commercialization of novel technologies in our global economy.

These Federal programmatic limitations can also place Hawaii's technology companies at a particular disadvantage during the proposal review process as they are evaluated in comparison with companies from other states that do not have Hawaii's geographic challenges and our limited access to collaborative research support and equipment.

SB 3110 provides the opportunity for HTDC to continue to help level the playing field for Hawaii's technology companies, enabling them to compete on more even footing with mainland companies for these increasingly scarce and competitive Federal SBIR Phase II research dollars and Phase III commercialization investments, and thereby be more successful in their Phase II R&D and Phase III commercialization efforts.

In summary, HAAA strongly supports this important measure and urges its passage this session to help ensure the continued long term growth of Hawaii's technology sector, including the development of cutting-edge aquacultural and aquaponic technologies to help support increased local food production.

Thank you for the opportunity to testify in strong support of this important measure.

Sincerely,

Ron Weidenbach, HAAA President