



Statement of  
**Duke Hartman, P.E.**  
**Vice President, Business Development**  
**Makai Ocean Engineering, Inc.**  
before the  
**Senate Committee on Ways and Means**  
Friday, March 28, 2017  
09:30 a.m.  
State Capitol, Conference Room 211  
In consideration of  
**HB595 HD1**  
**RELATING TO THE HIGH TECHNOLOGY DEVELOPMENT CORPORATION.**

Chair Tokuda, Vice Chair Dela Cruz, and Members of the Senate Committee on Ways and Means.

Makai Ocean Engineering, Inc. **STRONGLY SUPPORTS HB595 HD1** that makes an appropriation to HTDC to continue providing grants to businesses with a federal small business innovation research (SBIR) phase II or III awards.

Makai Ocean Engineering, Inc. is a locally-owned and operated technology company based in Hawaii for over 44 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 “bridge” for companies to survive the “valley of death” between the idea and research stages of development, through prototyping to commercialization.

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. The Phase 2 and 3 SBIR matching grants assist companies with a more difficult, but also 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 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 \$30 million in commercial revenues and high tech jobs for Hawaii over the last 17 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.



Makai is currently working on a Phase 2 SBIR program focused on autonomous underwater vehicles, which could easily surpass the \$30 million cable laying software in terms of revenue to the state. Our federal customer noted that the work we had performed on the underwater vehicle under the HTDC Hawaii State matching grant program was a key reason we were selected for an additional \$2.1 million award in late 2016.

In addition, Makai and Referentia were two local companies recently 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. See the Governor's press release about awards here: <http://governor.hawaii.gov/newsroom/latest-news/dbedt-news-release-htdc-small-business-grantees-honored-with-national-tibbetts-award-at-the-white-house/>

This is why we **STRONGLY SUPPORT HB595 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 high-skilled professional jobs for our keiki here at home.

Thank you for the opportunity to offer these comments.



**Executive Officers:**  
John Erickson, Young's Market Company –Chair  
Beau Oshiro, C&S Wholesale – Vice Chair  
Toby Taniguchi, KTA Superstores – Secretary/Treasurer  
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Stan Brown, Acosta – Advisor  
Paul Kosasa, ABC Stores – Advisor  
Barry Taniguchi, KTA Superstores – Advisor  
Derek Kurisu, KTA Superstores – Immediate Past Chair  
Lauren Zirbel, Executive Director

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TO: COMMITTEE ON WAYS & MEANS  
Senator Jill Tokuda, Chair  
Senator Donovan Dela Cruz, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION  
Lauren Zirbel, Executive Director

DATE: Tuesday, March 28, 2017  
TIME: 9:30 a.m.  
PLACE: Conference Room 211

RE: HB595, HD1 (High 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.

This bill's appropriation of funding for Hawaii's small business innovation research program will complement existing efforts in building and diversifying our economy, keeping more dollars in Hawaii, decreasing our dependence on imports, and growing and strengthening the Made in Hawaii brand.

Research has shown that a diversified economy and a business-friendly tax climate are key factors in keeping unemployment low. This bill allows manufacturers in our state to continue to grow their businesses and incentivizes production in Hawaii. This means more jobs and a stronger economy for the entire state.

Encouraging and fostering small business development and growth will also likely equate to less reliance on imported goods. Hawaii currently imports over 90% of the products used in the state. This reliance leaves us vulnerable to potential supply chain interruptions, adds shipping costs to almost every product and sends millions of dollars per year out of the state- millions of dollars that could be spent and reinvested here. Continuing support for small businesses is an excellent investment for our state.

This bill will also likely open the door for more products to earn the proud distinction of being "Made in Hawaii." Hawaii-made products have a worldwide reputation for quality and excellence and are in

demand both within the state and abroad. Additional funding for this program will help our industries grow to meet that demand while concurrently expanding our economy.

For these reasons, we ask that you please vote yes on this measure.

Thank you for the opportunity to testify.

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Saturday, March 25, 2017 11:58 AM  
**To:** WAM Testimony  
**Cc:** jmorris@oceanit.com  
**Subject:** \*Submitted testimony for HB595 on Mar 28, 2017 09:30AM\*

**HB595**

Submitted on: 3/25/2017

Testimony for WAM on Mar 28, 2017 09:30AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Patrick Sullivan, Ph.D.	Oceanit Laboratories, Inc.	Support	No

Comments:

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**Testimony to the Senate Committee on Ways and Means  
Tuesday, March 28, 2017 at 9:30 A.M.  
Conference Room 211, State Capitol**

**RE: HOUSE BILL HB 595 HD1 RELATING TO THE HIGH TECHNOLOGY  
DEVELOPMENT CORPORATION**

Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **strongly supports** HB 595 HD1, which appropriates funds to continue the Small Business Innovation Research Program within the High Technology Development Corporation.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ 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. This bill would allow HTDC to provide the necessary support of a commercialization assistance program.

Thank you for the opportunity to testify.



Written Statement of  
**Robbie Melton**  
Executive Director & CEO  
High Technology Development Corporation  
before the  
**Senate Committee on Ways and Means**  
Tuesday, March 28, 2017  
9:30 a.m.  
State Capitol, Conference Room 211

In consideration of  
**HB595 HD1**  
**RELATING TO THE RELATING TO THE HIGH TECHNOLOGY DEVELOPMENT CORPORATION.**

Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee on Ways and Means.

The High Technology Development Corporation (HTDC) **strongly supports** HB595 HD1 that appropriates funds to continue the Small Business Innovation Research Program within the High Technology Development Corporation.

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 Phase I matching grants to SBIR awarded companies since 1989 and started awarding Phase II and Phase III matching grants last year.

In FY16, the first year of the Phase II Phase III matching program, HTDC awarded \$2 million to 7 companies who had secured \$7.9 million of federal SBIR funding. There were more eligible applicants than available funds.

**HTDC just completed its 2016 Economic Impact Survey. Thirty-seven** companies that benefited from the HSBIR program reported an estimated \$89 million of economic impact, generated nearly \$60 million in revenue and \$34 million in income. These companies contributed \$6 million of state tax, and provided 372 jobs last year. Furthermore, SBIR companies have potential for future earnings through development of intellectual properties and provide high wage job opportunities in the state.

HTDC has awarded all of the fiscal year 2016-2017 appropriated funds and suggests that \$2 million is an appropriate annual budget for the program. Phase III awards are eligible for matching grants and subject to the same application and evaluation process as Phase II awards.

Over time, the expanded program is anticipated to generate the same type of metrics of success as the Phase I only matching program. For every dollar invested through the Hawaii SBIR program, Hawaii companies have attracted 20 federal dollars in return to the state, plus

commercialization funding. 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.

We respectfully request the correction of the defective effective date. We support this initiative as long as it does not replace our priorities requested in the Executive Budget.

Thank you for the opportunity to offer these comments.





**MAUI**  
CHAMBER OF COMMERCE  
VOICE OF BUSINESS

**HEARING BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS  
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 211  
TUESDAY, MARCH 28, 2017 AT 9:30 A.M.**

To The Honorable Jill N. Tokuda, Chair;  
The Honorable Donovan M. Dela Cruz, Vice Chair; and  
Members of the Committee on Ways and Means

**TESTIMONY IN STRONG SUPPORT OF HB 595 HD1 TO APPROPRIATE FUNDS  
TO CONTINUE THE SMALL BUSINESS INNOVATION RESEARCH PROGRAM**

Aloha, my name is Pamela Tumpap and I am the President of the Maui Chamber of Commerce representing approximately 600 businesses and 16,000 employees on Maui. I am writing share our strong support of HB 595 HD1.

The high technology development corporation and small business innovation research program are very important to help our various innovative, technology, and manufacturing sectors grow and prosper. Small businesses are known as the engines that drive new jobs and we support programs that help to grow and develop small businesses. We believe there is significant value in the innovation industry in our state and see that it brings additional jobs and resources to our communities. Further, this program adds additional value for our state as it is geared towards the innovation sector, which also helps grow STEM career opportunities for Hawaii's youth. We have appreciated partnering with the high technology development corporation on efforts in the past and look forward to partnering with them in the future. Therefore, we offer our strong support of this bill and request your support as well.

Mahalo for your consideration of our testimony and we hope you will support this bill.

Sincerely,

*Pamela Tumpap*

Pamela Tumpap  
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.



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Phone: (808) 848-2074; Fax: (808) 848-1921  
e-mail [info@hfbf.org](mailto:info@hfbf.org); [www.hfbf.org](http://www.hfbf.org)

March 28, 2017

HEARING BEFORE THE  
SENATE COMMITTEE ON WAYS AND MEANS

**TESTIMONY ON HB 595, HD1**  
RELATING TO THE HIGH TECHNOLOGY DEVELOPMENT CORPORATION

Room 211  
9:30 AM

Aloha Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee:

I am Randy Cabral, President of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,900 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interest of our diverse agricultural community.

HFB is in strong support of HB 595, HD1, which appropriates funds to continue the Small Business Innovation Research Program within the High Technology Development Corporation.

A major impediment for agriculture in Hawaii is the lack of technology. Many of our operations continue to be done as during our parents' generation despite technology advancing by leaps and bounds. A good example is Food Safety. Our farms are small. Food Safety requires recordkeeping and traceability. Due to the size of our farms, traceability recordkeeping has turned to be a major issue and consultants say they don't know how to make it work for our farmers. We know RFID technology is advanced and used in all places. For example, when you return your car rental, the agent scans the barcode to get your data. It seems these technologies could be adapted to our farms. We need entrepreneurs such as those in the SBIR program to help us address these issues.

Continued funding, with possible targets to agriculture will be of great assistance to the industry. We respectfully request your support with possible focus on agriculture as you deliberate this measure.

Thank you for this opportunity to provide our opinion on this important matter.

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Friday, March 24, 2017 4:17 PM  
**To:** WAM Testimony  
**Cc:** hawaiifishingfanatic@gmail.com  
**Subject:** \*Submitted testimony for HB595 on Mar 28, 2017 09:30AM\*

**HB595**

Submitted on: 3/24/2017

Testimony for WAM on Mar 28, 2017 09:30AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Don Aweau	Individual	Support	No

Comments:

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Friday, March 24, 2017 3:45 PM  
**To:** WAM Testimony  
**Cc:** mendezj@hawaii.edu  
**Subject:** \*Submitted testimony for HB595 on Mar 28, 2017 09:30AM\*

**HB595**

Submitted on: 3/24/2017

Testimony for WAM on Mar 28, 2017 09:30AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Javier Mendez-Alvarez	Individual	Support	No

Comments:

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