



Written Statement of
Len Higashi
Acting Executive Director
Hawaii Technology Development Corporation
before the
House Committee On Finance
Thursday, February 20, 2020
11:00 a.m.
State Capitol, Conference Room 308

In consideration of
HB2139, HD1
RELATING TO HAWAII TECHNOLOGY DEVELOPMENT CORPORATION.

Chair Luke, Vice Chair Cullen, and Members of the Committee.

The Hawaii Technology Development Corporation (HTDC) **supports** HB2139, HD1 that appropriates funds to support the programs of the Hawaii 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. Last session, these core HTDC programs were only appropriated for FY20. For the Hawaii SBIR phase 2/3 program, in FY19, 6 out of the 12 applications were funded. The companies brought in \$11.0 million in Federal SBIR grants to Hawaii. They requested \$4.5 million from HTDC and \$1.425 million was awarded. The reported economic impact of the HSBIR program for 2018 was \$150 million with 589 jobs in Hawaii. For the MAP program, 37 out of 69 applicants were funded. The companies invested \$13.5 million into upgrading their equipment. \$1.3 million was requested from HTDC and \$898 thousand was awarded. The reported impact of the MAP program for 2018 was \$748 million with 2,387 jobs in Hawaii. In FY20, the significant reduction in funds will result in less companies awarded and lower amounts. For the accelerator programs, 5 accelerators were funded in FY19. The accelerators were required to provide a minimum of a 1:1 match. All applicants exceeded the minimum requirement. HTDC comments that the FY20 awards will be made soon. HTDC believes increased funding for all 3 programs would be appropriate.

HTDC supports this bill provided it does not adversely impact the Executive Budget request. Thank you for the opportunity to offer these comments.



Statement of
Hermann Kugeler
Business Development Manager
Makai Ocean Engineering, Inc.

before the
House Committee on Finance
Thursday, February 20, 2020
11:00am
State Capitol, Conference Room 308

In consideration of
HB2139

RELATING TO THE HAWAII TECHNOLOGY DEVELOPMENT CORPORATION.

Chair Luke, Vice Chair Cullen, and Members of the Committee.

Makai Ocean Engineering, Inc. **STRONGLY SUPPORTS HB2139** that makes an appropriation to HTDC to continue providing grants to businesses through the small business innovation research program, manufacturing assistance program, and excelerator program.

Makai Ocean Engineering, Inc. is a locally-owned and operated technology company based in Hawaii for over 45 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 means of development for companies to transition the idea and research conducted in Phase I, to 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 in advancing development, which helps win later phase awards and assists in getting the technology out into the market. The SBIR matching grants assist companies that have a commercially-promising project that has a difficult development plan. Carefully selected 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 18 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.

Makai has recently completed 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 that is currently underway.

In addition, Makai and Referentia were two local companies 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/>

Makai Ocean Engineering, Inc. has historically been an engineering services provider, but now, with the help of the State's current manufacturing assistance program, Makai is diversifying into low-volume manufacturing. Makai has been involved in marine-related engineering in Hawaii for over 44 years, and recently began a heat exchanger R&D program. Now, we are ramping up production from a small manufacturing plant for heat exchangers on the Big Island of Hawaii, which is sustaining approximately 8 highly-skilled, high-paying STEM / engineering jobs in rural Kona. We have a strategic advantage for developing and manufacturing low-volumes of these components in Hawaii for two reasons: the U.S. Navy and Air Force's presence in Hawaii, and Makai already owns and operates a marine heat exchanger test facility and marine corrosion lab on the Big Island. As an example, Makai was recently awarded a contract to design a new heat exchanger for the U.S. Air Force's next generation aircraft, and we hope to be manufacturing units over the coming years.

The program limits reimbursement to 20% of qualified expenses capped at \$100,000. Because they are matching funds, a manufacturer is eligible only if they are already making an investment in the local community and providing jobs. The program amplifies these efforts, and shows the State's support for local manufacturers willing to make the investment and commitment to adding jobs, and growing their businesses and the industry in Hawaii.

This is why we **STRONGLY SUPPORT HB2139**, which would provide the state matching funds for federal SBIR programs and manufacturing assistance 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 and manufacturing, it would provide highly-skilled professional jobs for our keiki here at home.

Thank you for the opportunity to offer these comments.



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Finance
Thursday, February 20, 2020 at 11:00 A.M.
Conference Room 308, State Capitol**

RE: HB 2139 HD1, RELATING TO HAWAII TECHNOLOGY DEVELOPMENT CORPORATION

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

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 2139 HD1, which appropriates funds to the High Technology Development Corporation (HTDC) for the Small Business Innovation Research Program (SBIR) and the Manufacturing Assistance Program (MAP). Additionally, this bill would also make appropriations for the excelerator program.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ 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.

HTDC has provided assistance to SBIR awarded companies since 1988; as a result, Hawaii companies have attracted 20 federal dollars in return to the state plus commercialization funding for every state dollar invested through this program. The federal SBIR grant program has continued its efforts to move companies through grant awards to commercial product sales, and this bill would allow HTDC to continue to provide the necessary support of a commercialization assistance program to all phases in the program for local businesses here in Hawaii.

Continuing to support MAP is also vital to HTDC's mission. This program has become a positive resource to aid companies with their investments for manufacturing equipment, training of their employees on newly purchased equipment, energy efficiency, and feasibility studies. We believe that the continuation of this program will help fuel manufacturing in Hawaii to grow and provide more products for both local consumption and export, and funding of this program will help companies in Hawaii to start or grow their operations.

HTDC and its programs actively support and advocate for the specific needs of Hawaii's technology and manufacturing businesses. We have seen a rising demand from local companies wanting to manufacture here in Hawaii in order to maintain quality control, as well as an increasing desire for 'Made in Hawaii' products from consumers globally, which will continue to economically benefit our state. HTDC and its programs are integral to the growth and success of these companies who seek information and guidance on what it takes to succeed in Hawaii.

Thank you for the opportunity to testify.



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Executive Officers

Joe Carter, Coca-Cola Bottling of Hawaii, *Chair*
Charlie Gustafson, Tamura Super Market, *Vice Chair*
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Lauren Zirbel, HFIA, *Executive Director*
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Derek Kurisu, KTA Superstores, *Advisor*
Beau Oshiro, C&S Wholesale Grocers, *Advisor*
Toby Taniguchi, KTA Superstores, *Advisor*

TO:
Committee on Finance
Rep. Sylvia Luke, Chair
Rep. Ty J.K. Cullen, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: February 20, 2020
TIME: 11am
PLACE: Conference Room 308

RE: HB2139 HD1 Relating to Hawaii 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.

The Hawaii Technology Development Corporation (HTDC) is a vital business accelerator that helps diversify and strengthen Hawaii's economy. Manufacturing is an essential industry here in Hawaii, it provides jobs and creates local products. We believe our manufacturing sector is an area with great potential for growth, and we ask the legislature to continue to feed that growth by supporting these HTDC programs.

The three programs funded by this measure, the Small Business Innovation Research Program, the Manufacturing Assistance Program, and the Excelerator Program, all provide opportunities for different types of Hawaii manufacturers. Grants from these programs are helping businesses create the next generation of Hawaii manufacturing. We urge you to vote yes on this measure and we thank you for the opportunity to testify.



MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

**HEARING BEFORE THE HOUSE COMMITTEE ON FINANCE
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 308
THURSDAY, FEBRUARY 20, 2020 AT 11:00 A.M.**

To The Honorable Sylvia Luke, Chair;
The Honorable Ty J.K. Cullen, Vice Chair; and
Members of the Committee on Finance;

**TESTIMONY IN SUPPORT OF HB2139 RELATING TO
THE HAWAII TECHNOLOGY DEVELOPMENT CORPORATION**

Aloha, my name is Pamela Tumpap and I am the President of the Maui Chamber of Commerce, with approximately 650 members. I am writing to share our support of HB2139.

The Hawaii Technology Development Corporation is extremely important to develop and sustain the state's manufacturing industry as manufacturing increases the workforce and resources for our community. We believe supporting our local manufacturers is vital to our state's economy and support this bill as it provides funding for HTDC and funding to continue the manufacturing development grant program.

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.



Hawai'i Island Chamber of Commerce

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February 20, 2020

LATE

**Testimony to the House Committee on Finance
Thursday, February 20, 2020, 11:00 a.m.
State Capitol, Conference Room 308**

RE: HB2139, HD1 RELATING TO HAWAII TECHNOLOGY DEVELOPMENT CORPORATION

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

The Hawai'i Island Chamber of Commerce supports HB 2139, HD 1 that appropriates funds to support the programs of the Hawaii Technology Development Corporation. The primary project proposed for East Hawai'i is the "Innovation and Manufacturing Center", a facility which will support and assist a variety of businesses offering light manufacturing capabilities. It would also help develop the workforce skills for high school and college students. This bill also appropriates funds to HTDC for the Small Business Innovation Research Program (SBIR) and the Manufacturing Assistance Program (MAP).

The Hawai'i Island Chamber of Commerce represents nearly 300 member businesses and professionals from East Hawai'i and beyond. We strive to offer effective support of our members by providing advocacy, advancing Hawai'i Island's economic well-being, and promoting our members' and services.

Hawai'i Island is constantly being challenged in the development of technology industries on our island so it is vital to allow HTDC to continue their mission and actively support and advocate for the needs of those technology and manufacturing businesses. HTDC provides the information and guidance for those businesses to help them succeed.

Mahalo for this opportunity to testify,

Miles Yoshioka, Executive Officer