



Written Statement of  
**Len Higashi**  
Acting Executive Director  
Hawaii Technology Development Corporation  
before the  
**House Committee on Economic Development and Business**  
Friday, January 31, 2020  
9:30 a.m.  
State Capitol, Conference Room 309

In consideration of  
**HB2139**  
**RELATING TO HAWAII TECHNOLOGY DEVELOPMENT CORPORATION.**

Chair McKelvey, Vice Chair Kitagawa, and Members of the Committee.

The Hawaii Technology Development Corporation (HTDC) **supports** HB2139 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. \$4.5 million was requested and \$1.425 million was awarded. The Federal match was \$11.0 million. 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. \$1.3 million was requested and \$898 thousand was awarded. The companies invested \$13.5 million. The reported impact of the MAP program for 2018 was \$748 million with 2,387 jobs in Hawaii. The significant reduction in funds for FY20 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. Increasing the funding for all 3 programs from FY20 levels 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.



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

Before the  
**HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT and BUSINESS**

January 31, 2019  
8:30 a.m.  
State Capitol, Conference Room 309

In Support of  
**HB2139 RELATING TO THE HAWAII TECHNOLOGY  
DEVELOPMENT CORPORATION**

To: Chair Angus McKelvey, Vice Chair Lisa Kitagawa, and Members of the Committee

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

Re: Testimony in Support of HB2139

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony **in support of HB2139**

The technology industry in Hawaii has grown over the past 12 years and has made significant strides towards achieving the goal of diversifying and stimulating Hawaii's economy. The continuation of the Small Business Innovation Research ("SBIR") grants, Manufacturing Grant and the excelerator program are crucial to move the technology towards prototyping, customer interface, and commercialization,

The objectives of the grants are:

- 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 HB2139 and we appreciate your continued support of the technology industry.



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

before the  
**House Committee on Economic Development & Business**

Friday, January 31, 2020

9:30am

State Capitol, Conference Room 309

In consideration of

**HB2139**

**RELATING TO THE HAWAII TECHNOLOGY DEVELOPMENT CORPORATION.**

Chair McKelvey, Vice Chair Kitagawa, and Members of the Committee.

Makai Ocean Engineering, Inc. **STRONGLY SUPPORTS HB2139** that makes an appropriation to HTDC to continue providing grants to businesses with federal small business innovation research (SBIR) award, and manufacturing programs.

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 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 that is currently underway. Makai will be testing this underwater vehicle technology in Hawaiian waters in the summer of 2019 using local engineers.

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 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, including the new F-35 fighter jet, 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.



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#### **Executive Officers**

**Joe Carter**, Coca-Cola Bottling of Hawaii, *Chair*  
**Charlie Gustafson**, Tamura Super Market, *Vice Chair*  
**Eddie Asato**, The Pint Size Corp., *Secretary/Treas.*  
**Lauren Zirbel**, HFIA, *Executive Director*  
**John Schlif**, Rainbow Sales and Marketing, *Advisor*  
**Stan Brown**, Acosta Sales & Marketing, *Advisor*  
**Paul Kosasa**, ABC Stores, *Advisor*  
**Derek Kurisu**, KTA Superstores, *Advisor*  
**Beau Oshiro**, C&S Wholesale Grocers, *Advisor*  
**Toby Taniguchi**, KTA Superstores, *Advisor*

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**TO:**  
Committee on Economic Development and Business  
Rep. Angus L.K. McKelvey, Chair  
Rep. Lisa Kitagawa, Vice Chair

**FROM:** HAWAII FOOD INDUSTRY ASSOCIATION  
Lauren Zirbel, Executive Director

**DATE:** January 31, 2020  
**TIME:** 9:30am  
**PLACE:** Conference Room

**RE:** HB2139 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 providing jobs and local products. 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.



# Chamber of Commerce HAWAII

*The Voice of Business*

**Testimony to the House Committee on Economic Development & Business  
Friday, January 31, 2020 at 9:30 A.M.  
Conference Room 309, State Capitol**

**RE: HB2139 RELATING TO HAWAII TECHNOLOGY DEVELOPMENT CORPORATION**

Chair McKelvey, Vice Chair Kitagawa, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 2139, 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 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.

**HB-2139**

Submitted on: 1/29/2020 11:38:27 PM

Testimony for EDB on 1/31/2020 9:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Ann Chung	Individual	Support	Yes

Comments:

I strongly support HB2139. The SBIR and MAP are very successful existing program that have been working for many years. I urge you to continue funding these very important programs. Based on data provided by HTDC, 20 federal dollars are returned to the State for every dollar invested through the SBIR program. These existing grant programs are successful in promoting innovation and stimulating economic development by supporting emerging technologies developed by Hawaii companies and creating innovation jobs.

**LATE**

**HB-2139**

Submitted on: 1/30/2020 3:39:44 PM

Testimony for EDB on 1/31/2020 9:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Megan Blazak	Individual	Support	No

Comments:





**MAUI**  
CHAMBER OF COMMERCE  
VOICE OF BUSINESS

**LATE**

**HEARING BEFORE THE HOUSE COMMITTEE ON  
ECONOMIC DEVELOPMENT & BUSINESS  
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 309  
FRIDAY, JANUARY 31, 2020 AT 9:30 A.M.**

To The Honorable Angus L.K. McKelvey, Chair;  
The Honorable Lisa Kitagawa, Vice Chair; and  
Members of the Committee on Economic Development & Business;

**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.

**LATE**

**HB-2139**

Submitted on: 1/31/2020 9:16:47 AM

Testimony for EDB on 1/31/2020 9:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Brittany Heyd	Mana Up	Support	No

Comments:

Written Statement of

**Brittany Heyd**

**Partner**

**Mana Up**

before the

**House Committee on Economic Development & Business**

Friday, January 31, 2020

9:30 a.m.

State Capitol, Conference Room 309

In consideration of

**HB2139**

**RELATING TO THE HAWAII TECHNOLOGY DEVELOPMENT CORPORATION.**

Chair McKelvey, Vice Chair Kitagawa, and Members of the Committee,

Mana Up **supports** HB2139 that provides an appropriation for the Hawaii Technology Development Corporation to support the continuation of business accelerator programs, MAP grants and other innovation programs.

Mana Up is an accelerator for local products headquartered in Hawaii. We help companies grow to markets globally. We do this by creating a community of mentors and assistance for the entrepreneurs to help them address challenges at every stage of their business. We also help companies grow by creating strategic partnership in the e-commerce and retail industries. For example, we created a partnership with Shopify, one of the largest online store builders in the world, to provide free services and a dedicated account representative for each of the companies participating in Mana Up. This partnership helps the companies to significantly grow their sales online. Another example is our partnership with DFS Hawaii (Duty Free Shops). DFS Hawaii has committed to featuring local products who have participated in Mana Up in high traffic areas of their locations at the airports and in Waikiki, drawing attention to the entrepreneur stories and their authentic roots in Hawaii. These meaningful partnerships help Mana Up companies gain case studies and additional traction to continue their growth to additional markets. This growth helps the companies to support more employees and contribute to the local economy in terms of spending, tax revenues, and downstream business support.

In the last 2 years, 41 companies have participated in the Mana Up Accelerator contributing an estimated \$35 million in annual revenue to the State of Hawaii. The 41 companies also show diversified leadership, including 18 native Hawaiian founders, and 22 female CEOs. Entrepreneurship is proving as a pathway for careers as these entrepreneurs are supporting themselves and many employees. In addition to our funding from HTDC, we have formed partnerships with Kamehameha Schools, DFS Hawaii, Castle & Cooke, Dole Plantation, Hawaiian Airlines, Shopify, American Savings Bank, Kahala Resort & Hotel, Sullivan Family of Companies (Foodland), Ulupono Initiative, Innovate Hawaii, Kaiser Permanente Hawaii, Spire Hawaii, VertAccount, Entrepreneurs Organization Hawaii, the Patsy T. Mink Center for Leadership, and HonBlue. All of these organizations have committed to supporting the companies who participate in the Mana Up program and have meaningfully done so in the last year. The HTDC funding we received this year has allowed us to support our operations while we form important relationships and revenue streams that can support our program long term.

Hawaii accelerators are playing a crucial role in the development of an entrepreneurial ecosystem for Hawaii start-up companies. Without Hawaii based accelerators, the most promising local companies would continue leaving for opportunities outside of the state or not be able to garner sufficient resources to succeed. Hawaii based accelerators also strengthen the entrepreneurial network between Hawaii and the rest of the world.

Thank you for the opportunity to offer these comments.

Written Statement of  
**Meli James**  
**President**  
**Hawaii Venture Capital Association (HVCA)**  
before the  
**House Committee on Economic Development & Business**  
Friday, January 31, 2020  
9:30 a.m.  
State Capitol, Conference Room 309

In consideration of  
**HB2139**  
**RELATING TO THE HAWAII TECHNOLOGY DEVELOPMENT CORPORATION.**

Chair McKelvey, Vice Chair Kitagawa, and Members of the Committee,

HVCA **supports** HB2139 that provides an appropriation for the Hawaii Technology Development Corporation to support the continuation of business accelerator programs, MAP grants and other innovation programs.

Accelerators across the state, including Elemental Exceleator, Mana Up, and Blue Startups have supported many startups that have contributed to Hawaii's economic diversity and job creation. They all help our Hawaii-grown, Hawaii-based companies grow to markets globally with a community of invaluable mentors, strategic partnership formation, and increased access to capital. The growth of every company who participates in these accelerators engenders additional employees and revenues directly to the local economy. As one brief example, in the last 2 years, 41 companies who participated in the Mana Up Accelerator contributed an estimated \$35 million in annual revenue to the State of Hawaii. The 41 companies also show diversified leadership, including 18 native Hawaiian founders, and 22 female CEOs. Entrepreneurship is proving as a pathway for careers as these entrepreneurs are supporting themselves and many employees. All of these accelerators have similar success stories and are growing meaningfully each year.

The HTDC funding these accelerators received has allowed this all to happen. It supported their operations, allowing them to form important relationships and establish revenue streams that can support each program long-term. Hawaii accelerators are playing a crucial role in the development of an entrepreneurial ecosystem for Hawaii start-up companies. Without Hawaii based accelerators, the most promising local companies would continue leaving for opportunities outside of the state or not be able to

# HVCA

## HAWAII VENTURE CAPITAL ASSOCIATION

garner sufficient resources to succeed. Hawaii based accelerators also strengthen the entrepreneurial network between Hawaii and the rest of the world.

Thank you for the opportunity to offer these comments.

