



Written Statement of
Len Higashi
 Acting Executive Director
 Hawaii Technology Development Corporation
 before the
HOUSE COMMITTEE ON FINANCE

Monday, February 28, 2022
 11:00 a.m.
 Videoconference

In consideration of
HB2225
RELATING TO HAWAII TECHNOLOGY DEVELOPMENT CORPORATION

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

The Hawaii Technology Development Corporation (HTDC) **supports** HB2225 that appropriates moneys to the Hawaii Technology Development Corporation for its manufacturing assistance programs.

HTDC supports initiatives aimed at promoting technology and manufacturing jobs. Due to budget shortfalls caused by the pandemic, HTDC did not receive an appropriation for FY21 for our three core grant programs: Hawai'i Small Business Innovation Research (HSBIR), Manufacturing Assistance Program (MAP), and accelerator (a.k.a. exceleator) programs.

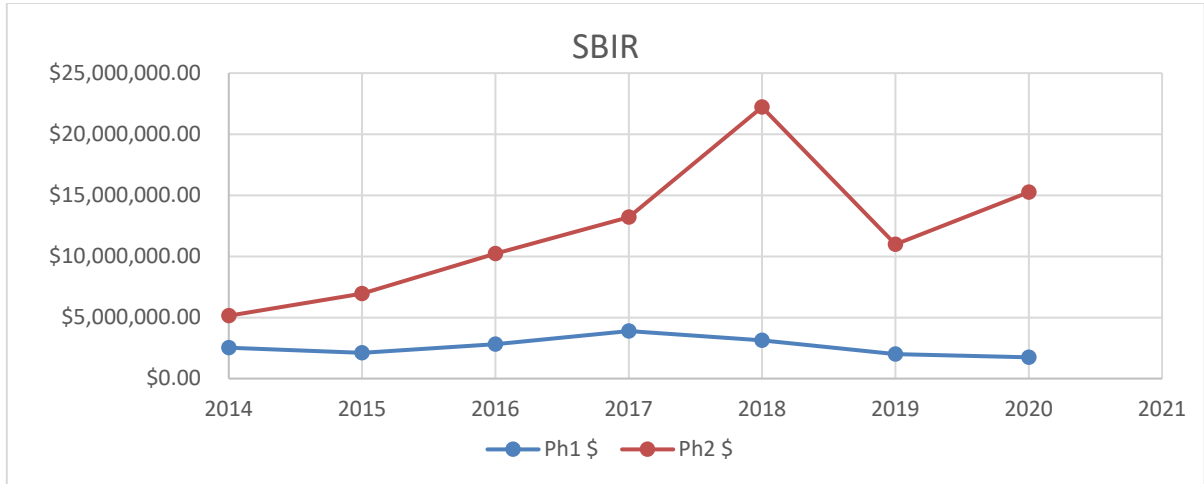
SBIR

HTDC has been providing Phase I matching grants to SBIR awarded companies since 1989 and started awarding Phase II and Phase III matching grants in FY16. A summary of the Phase II/III awards made by the matching grant program is listed below:

	FY16	FY17	FY18	FY19	FY20	FY21
Appropriation	\$2 MM	\$2 MM	\$1 MM	\$1.5 MM	\$1MM	-
# of Applications	11	9	9	12	16	-
# of Awards	7	8	5	6	14	-
\$\$ Awarded	\$2 MM	\$1.9 MM	\$900 K	\$1.4 MM	\$900K	-
Federal SBIR \$\$ (match)	\$7.9 MM	\$10.9 MM	\$8.0 MM	\$11.0 MM	\$53.0 MM	-
Estimated New Jobs	17	70	15	135	509	-

A chart of the federal SBIR awarded to Hawai'i companies follows. Note: the difference between the federal SBIR dollars reported in the table above versus the federal SBIR dollars charted below are due to the lag between the calendar year that the Federal dollars are awarded versus the state fiscal year that the Hawai'i SBIR matching grant is awarded. The companies are

eligible to apply for Hawai'i State matching grants while the SBIR project is active, which is typically 18-24 months.



data from sbir.gov/awards

The data shows an upward trend in the amount of federal dollars the industry is awarded each year. The federal SBIR funds are highly competitive with a fixed budget each year. Therefore, the industry is securing for Hawai'i federal funds that would otherwise be awarded to companies in other states. Every year, there have been more qualified applicants than available funds. Since the Phase II/III program started in FY16, none of the applicants have received the full eligible amount. Over time, the program is anticipated to generate the same type of metrics of success as the Phase I matching program. For every dollar invested through the Hawai'i SBIR program, Hawai'i companies have attracted over 20 federal dollars in return to the State, plus commercialization funding.

HTDC is working with the University of Hawai'i Office of Innovation and Commercialization to continue growing the pipeline of companies pursuing SBIR funds and with several DoD and DoD related groups on developing further commercialization opportunities for Hawai'i companies developing new technologies.

MAP

HTDC has been providing MAP matching grants to manufacturers since FY16. A summary of the awards made by the matching grant program is listed below:

	FY16	FY17	FY18	FY19	FY20	FY21
Appropriation	\$2 MM	\$1 MM	\$1 MM	\$1 MM	\$500 K	-
# of Applications	82	42	51	69	45	-
# of Awards	51	25	29	37	18	-
\$\$ Awarded	\$2 MM	\$932K	\$931K	\$899K	\$486 K	-
Company investment	\$31 MM	\$5.5 MM	\$13.6 MM	\$13.4 MM	\$9.0 MM	-
Estimated New Jobs	-	353	230	465	281	-

Every year, there have been more qualified applicants than available funds. The funding awarded to companies provides a partial reimbursement (20%) for equipment upgrades and other eligible expenses. Through our federally funded INNOVATE Hawai'i program, HTDC provides wrap-around support services for the matching grants to help Hawai'i manufacturers become more globally competitive.

Hawai'i manufacturers plays an important role in our economy, for food-security, sustainability, and resilience initiatives, and is an important driver for innovation.

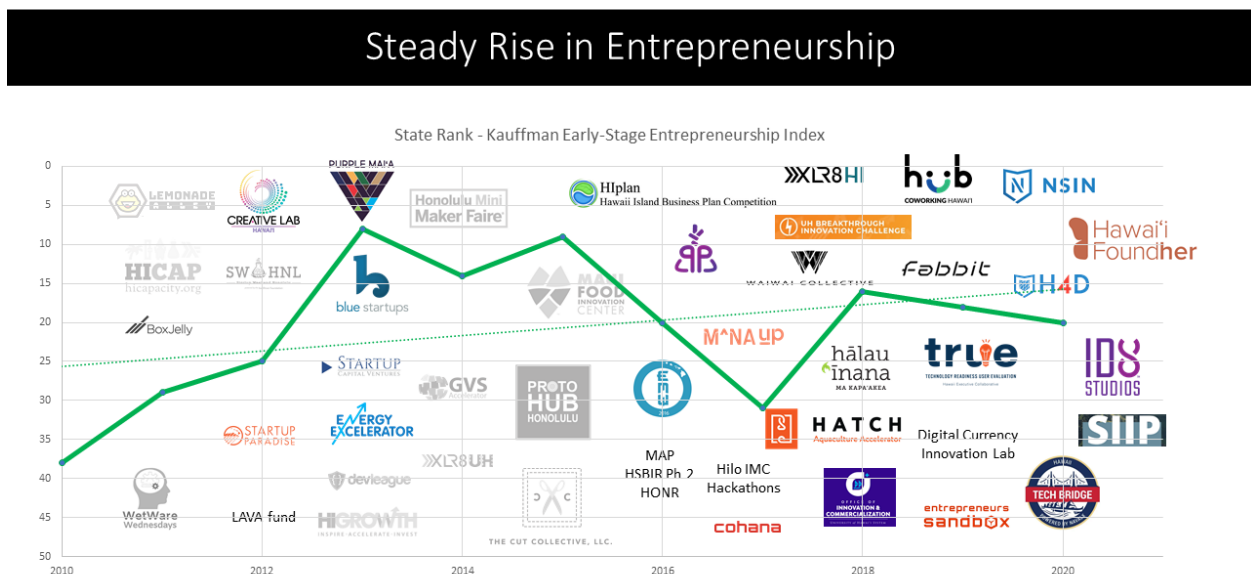
ACCELERATORS

The five programs awarded in 2021 supported **49 companies** this year, investing \$283,000, **92% headquartered in Hawai'i**. All-time, these programs supported **257 companies** which generated **\$43+ million of revenue** in 2020, secured **\$330+ million** in follow-on investment, and provide **1000+ jobs**. The programs provide a diverse set of entrepreneurs, startups, and early-stage companies opportunities to grow their business in Hawai'i.

Background

Business accelerator programs are designed to accelerate the growth of startups by providing seed funding, mentorship, and business network to the strongest applicants. While the Silicon Valley origin of these programs were exclusively targeting software internet businesses, Hawai'i accelerator programs have evolved into a broad range of specializations including software, renewable energy, products, aquaculture technologies, social impact, female founders, fashion, creative media, University, and defense research.

The state has partnered/co-invested/sponsored many of the private sector accelerator programs. The model is an extremely cost-effective way of providing support to emerging Hawai'i businesses. Before the accelerator programs were established in Hawai'i, entrepreneurs had to leave the state to receive this type of capital and business support.



Through the success of the accelerator programs, over the past 10 years Hawai'i has improved its state rank from 38 to 20 in the [Kauffman Early Stage-Entrepreneurship Index](#) (economic development benchmark). At its peak, in the first year of the accelerator programs, Hawai'i improved to 7. HTDC began funding accelerators in 2018. Prior to that financial support was provided by HSDC.

Accelerator program awards by HTDC in each fiscal year:

Year	FY2018	FY2019	FY2020	FY2021
\$ Amount	\$1,000,000	\$1,425,000	\$300,000	\$205,000
Accelerator programs	Blue Startups EEX GVS	Blue Startups EEX GVS Mana Up XLR8UH	Blue Startups EEX ManaUp XLR8HI	Blue Startups Mana Up XLR8HI Social Impact Incubator Hawai'i FoundHer

ACCELERATOR PROGRAMS



<https://www.bluestartups.com/>

55% headquartered in Hawai'i - 114 companies total, 56 active, \$1.7 million invested into Hawai'i companies, \$330 million follow-on funding
2021 - 9 companies, invested \$225,000

VENTURE ACCELERATOR

Blue Startups is a Top 20 Accelerator in the US (Techcrunch) focused on helping scalable-technology companies compete globally. They host demo days in Hawai'i, Silicon Valley, New York introducing startups to venture capital investors.

Highlights



56 active companies, \$330 million follow on investments, 650 jobs
Hosts an Annual conference with over 400 attendees



[Blue Startups company Volta goes IPO](#)

Company Portfolio:
<https://www.bluestartups.com/portfolio>



<https://manauphawaii.com/>

100% headquartered in Hawai'i - 47 companies total, \$6.3 million investment fund
2021- 12 companies, 2 investments

PRODUCT ACCELERATOR

Mana Up hosts a 6-month accelerator program geared for Hawai'i-based product companies with a focus on scaling markets globally through both retail and e-commerce channels

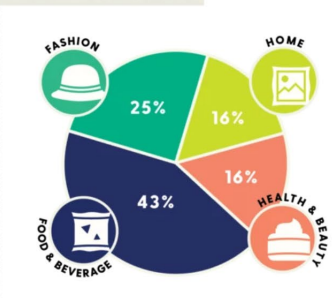
Highlights

<https://manauphawaii.com/pages/economic-impact-2021>

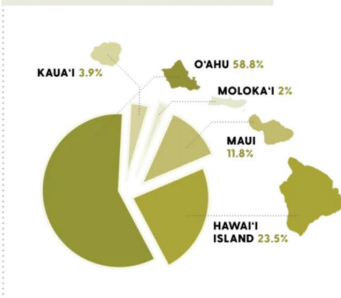
Mana Up Companies: At a Glance



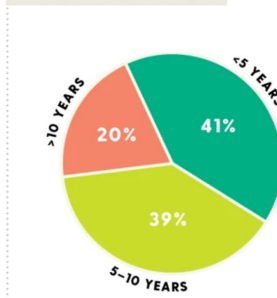
WHAT WE CREATE



WHERE WE COME FROM



YEARS IN BUSINESS



Mana Up: By the Numbers

ANNUAL REVENUE N=47

N = Number of total companies reporting

2019 SNAPSHOT		2020 SNAPSHOT	
\$36 MILLION	▶▶ TOTAL ANNUAL REVENUE ▶▶	\$43.4 MILLION	
\$766,396	▶▶ AVERAGE ANNUAL REVENUE PER COMPANY ▶▶	\$923,290	
25.3%	▶▶ MEDIAN GROWTH RATE ▶▶	17.6%	
142%	▶▶ MEAN GROWTH RATE ▶▶	65%	

REVENUE GENERATED

OUTSIDE HAWAII N=40

\$18.47M

TOTAL JOBS

2019
264 JOBS

2020
315 JOBS

Company Portfolio:
<https://manauphawaii.com/pages/our-cohorts>

Pre-Accelerator Programs



<https://siiphawaii.com>

100% headquartered in Hawai'i – 14 projects, \$16,150 grants awarded
2021 - 8 projects, invested \$8,000

SOCIAL IMPACT PROJECT PRE-ACCELERATOR

The Social Impact Incubator Program is a A Five Month Incubator Program For Early-Stage Entrepreneurs Who Want To Have Impact In Hawai'i.

Project Portfolio:

<https://siiphawaii.com/cohorts/>



<https://xlr8hi.com/>

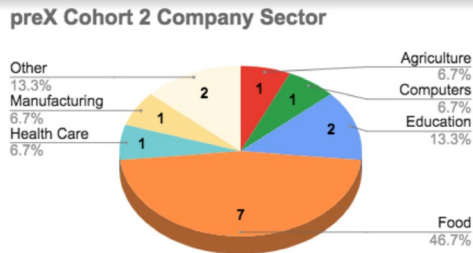
100% headquartered in Hawai'i - 30 companies total
2021 - 15 companies

PRE-ACCELERATOR TRAINING

Free 4-Week Virtual Investment Readiness And Business Scaling Program

Company Portfolio:

<https://xlr8hi.com/prex-alumni/>





100% headquartered in Hawai'i - 5 companies, \$50,000 invested

FEMALE FOUNDER BUSINESS ACCELERATOR

FoundHer is an accelerator program tailored specifically to the needs of Native Hawaiian, Pacific Islander, and/or Asian women and mothers starting businesses in five core markets of Hawai'i's economy: Tech, Fashion, Health & Wellness, Food System/Restaurants, and Keiki/Education.

Company Portfolio:

<https://www.foundher.org/companies>

Previously Awarded



10% headquartered in Hawai'i - 136 companies, 12 exits, \$60 million invested
2021 - 19 companies

CLIMATE CHANGE TECHNOLOGY BUSINESS ACCELERATOR

Elemental has invested in over 100 growth-stage companies and celebrated more than a dozen exits, funded more than 70 technology projects, and built a platform for scaling equitable, market-driven solutions to climate change.

Companies

<https://elementalexcelerator.com/companies/>

HTDC comments that SB2808 appropriates funds for HTDC to administer the \$56MM federal State Small Business Credit Initiative (SSBCI). HTDC intends to leverage the accelerator programs to provide technical assistance support for the SSBCI investments.

HTDC believes the three core grant programs provide leverage and positive economic development value for the State.

Thank you for the opportunity to offer these comments.

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 2225

February 28, 2022
11:00 a.m.
Room 308 and Videoconference

RELATING TO HAWAII TECHNOLOGY DEVELOPMENT CORPORATION

The Department of Budget and Finance (B&F) offers comments on this bill.

House Bill No. 2225 appropriates a total of \$14,000,000 in general funds for FY 23 to the Hawai'i Technology Development Corporation (HTDC) for its various business assistance and grant programs. Specifically, the measure appropriates \$10,000,000 for the Hawai'i Small Business Innovation Research (HSBIR) program; \$2,000,000 for the Manufacturing Assistance Program (MAP); and \$2,000,000 for the Excelerator Grant Program (EGP).

B&F notes that the Governor's FY 23 Executive Supplemental Budget submitted to the Legislature already includes general fund appropriation requests for each of these programs administered by HTDC in the amounts requested by the agency: \$1,000,000 for the HSBIR program; \$500,000 for MAP grants; and \$500,000 for EGP. If it is the intent of the Legislature to provide additional funding for these items, B&F notes that this can be accomplished via a budget adjustment rather than a specific appropriation bill.

Finally, B&F notes that, with respect to the general fund appropriation in this bill, the federal Coronavirus Response and Relief Supplemental Appropriations Act requires that states receiving Elementary and Secondary School Emergency Relief (ESSER) II funds and Governor's Emergency Education Relief II funds must maintain state support for:

- Elementary and secondary education in FY 22 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

Further, the federal American Rescue Plan (ARP) Act requires that states receiving ARP ESSER funds must maintain state support for:

- Elementary and secondary education in FY 22 and FY 23 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 and FY 23 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

The U.S. Department of Education has issued rules governing how these maintenance of effort (MOE) requirements are to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawai'i complies with these ESSER MOE requirements.

Thank you for your consideration of our comments.

RYAN KAWAILANI OZAWA

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@hawaii A row of social media icons including Instagram, Twitter, YouTube, LinkedIn, Facebook, and others.

Email: hawaii@hey.com

February 25, 2022

Aloha, Rep. Sylvia Luke, Chair; Rep. Kyle T. Yamashita, Vice Chair; and members of the Committee on Finance:

I am writing to express my **support** of HB2225, which appropriates funds to Hawaii Technology Development Corporation (HTDC) for the Manufacturing Assistance Program (MAP).

Like the Hawaii Small Business Innovation Research (SBIR) program, MAP has demonstrated itself to be a valuable resource for Hawaii businesses.

Hawaii has an average of 11,000 manufacturing employees working at 750 manufacturing firms with an output of \$1.66 billion, according to the National Association of Manufacturers.

For this substantial constituency, the program limits reimbursement to 20 percent of qualified expenses, and caps such reimbursements at \$100,000. Nonetheless, the program embodies the State's support for local manufacturers that are trying to scale their businesses and grow their respective industries.

Mahalo for your consideration.



Ryan Kawailani Ozawa



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Phone: (808) 848-2074; Fax: (808) 848-1921
e-mail info@hfbf.org; www.hfbf.org

February 28, 2022

HEARING BEFORE THE
HOUSE COMMITTEE ON FINANCE

TESTIMONY ON HB 2225
RELATING TO HAWAII TECHNOLOGY DEVELOPMENT CORPORATION

Conference Room 309 & Videoconference
11:00 AM

Aloha Chair Luke, Vice-Chair Yamashita, and Members of the Committee:

I am Brian Miyamoto, Executive Director of the Hawai'i Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,800 farm family members statewide and serves as Hawai'i's voice of agriculture to protect, advocate and advance the social, economic, and educational interests of our diverse agricultural community.

The Hawai'i Farm Bureau supports HB 2225, which appropriates funds to the Hawai'i Technology Development Corporation for its manufacturing assistance program.

As expenses rise, increases in farm revenues and profits are critical to the continued viability of farms and ranches. One way farmers can do this is by "adding value" to raw agricultural crops. Currently, off-grade and excess production is sometimes wasted due to market conditions. Converting them into value-added products will not only increase farm revenue but also provide new business opportunities, increase employment opportunities and address Hawai'i's goals of increased self-sufficiency and sustainability.

High production costs are a major driver of narrow profit margins for Hawai'i's farmers and value-added food producers. Labor, taxes, land, transportation, utilities, and supplies are all costs of doing business that often results in value-added food producers just being able to break even.

Hawai'i is potentially losing millions of dollars because of the cost to process agricultural crops into value-added products. HFB supports any program that supports the production of value-added products so that farmers can increase their income while allowing locally produced value-added goods can compete with imported products, strengthening our local economy.

The strength of Hawai'i's economy is dependent upon a diversity in commerce that is resilient to economic downturns and aggressive in creating new growth opportunities. This HTDC's manufacturing assistance programs supports this goal.

Thank you for the opportunity to comment on this measure.



Statement of
Isar Mostafanezhad, Ph.D.
Founder and CEO
Nalu Scientific, LLC
before the
House Committee on Economic Development

Monday, February 28, 2022 at 11:00 AM

In consideration of
HB2225
RELATING TO HAWAII TECHNOLOGY DEVELOPMENT CORPORATION

Rep. Sylvia Luke, Chair; Rep. Kyle T. Yamashita, Vice Chair; and members of the Committee on Finance:

Nalu Scientific, LLC **supports** HB2225 that (1.) Increases the SBIR Matching Grant Program from \$1M to \$10M, (2.) Increases the Manufacturing Grant Program from \$500,000 to \$2M, and (3.) Increases the Excelsior Grant Program from \$300,000 to \$2M.

I founded Nalu Scientific in 2016, and since then, we have earned multiple large-scale federal grants totalling more than \$10 million, many boosted with critical and much needed support from the SBIR Matching Grant Program.

Our company employs many UH graduates and former Hawaii residents who were able to return home to the islands and apply their specialized skills. Programs like those in this bill have been a key reason why we have been able to provide these opportunities and to support Hawaii's innovation community.

These programs have already paid dividends to the state, both in supporting local businesses and diversifying Hawaii's economy. Now is the time to expand them and accelerate Hawaii's progress toward a sustainable, tech-empowered future.

Thank you for the opportunity to offer these comments.

HB-2225

Submitted on: 2/26/2022 11:18:49 AM

Testimony for FIN on 2/28/2022 11:00:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Ethan West	Punahele Provisions, PBC DBA Piko Provisions	Support	No

Comments:

We fully support the passing of HB2225. Being a mid-tier value chain value added goods producer the programs and funding opportunities that HTDC enables access to is quintessential to the success of our operation and the impact we can have in our local food system.

Manufacturing food systems infrastructure is an all too often overlooked category and ill-capitalized sector from both the private and public sources. This bill will provide the availability of transformational capital and the opportunity to help Hawaii get closer to a resilient, local-centric food system.

HB-2225

Submitted on: 2/26/2022 5:01:34 PM

Testimony for FIN on 2/28/2022 11:00:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Ronald Weidenbach	Hawaii Fish Company Inc.	Support	No

Comments:

Hawaii Fish Company, established in 1978 and inducted into the US Small Business Administration SBIR Hall of Fame, Washington DC, in 2000, strongly supports HB2225. Our family-owned fish farm has been active in the Federal SBIR and HSBIR matching grant programs since 1993 and have found the HSBIR program and closely aligned MEP program, workshops, and support to be critical elements of our continuing success and local food production. As a result of these programs, our farm has been able to research, develop, successfully test market, and commercialize two new products, have three additional products in Phase III beta testing and refinement, and currently have two additional SBIR Phase I feasibility awards from USDA and DOE in progress. We strongly believe that if the State of Hawaii is serious about economic diversification, then HTDC's HSBIR and MEP programs need continuing and increasing support. We respectfully request your strong support of HB2225.



Hawaii Tech Exchange

808.495.0797 don@hitx.co 259 Haili Street, Hilo HI 96720

February 27, 2022

RE: Testimony in Support of HB 2225 Relating to the Hawaii Technology Development Corporation

Chair Representative Sean Quinlan and Vice Chair Representative Daniel Holt and Members of the Committee:

I am Donald M. Kosak, founder of the Hawaii Tech Exchange, LLC. The Hawaii Tech Exchange is a community organization that fosters high impact new businesses in STEM fields on the Big Island.

I respectfully submit this testimony in strong support of HB2225 Relating to High Technology Development Corporation.

Funding is a major hurdle for many of the small tech companies I work with on a daily basis. Federal SBIR research awards are an important component of that funding. HTDC's grants to SBIR awardees allow these companies to invest in infrastructure and to create additional technical job opportunities on our island.

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 submit testimony on this bill.

Sincerely yours,

A handwritten signature in blue ink that reads "Donald M. Kosak".

Donald M. Kosak
Founder, Hawaii Tech Exchange
<http://hitx.co/>