

SB 1003

Measure Title: RELATING TO TECHNOLOGY.

Report Title: Hawaii Small Business Innovation Research Program; Small Business
Description: Expands the current Hawaii small business innovation research program by providing matching funds for phase II and phase III awards in the interest of diversifying and stimulating Hawaii's economy. Repeals the requirement that the high technology development corporation adopt administrative rules for the implementation of the program, including rules to specify eligibility requirements, priorities, and preferences for grants.

Written Statement of
ROBBIE MELTON
Executive Director & CEO
High Technology Development Corporation
before the
SENATE COMMITTEE ON
ECONOMIC DEVELOPMENT & TECHNOLOGY

Wednesday, February 4, 2015
2:45 p.m.
State Capitol, Conference Room 016
In consideration of

SB1003 RELATING TO TECHNOLOGY.

Chair Wakai, Vice Chair Slom, and Members of the Committee on Economic Development & Technology.

The High Technology Development Corporation (HTDC)) **supports with requested amendments** SB1003 expanding the Hawaii SBIR matching grant program to phase 2 and 3.

HTDC has been assisting Phase I SBIR awarded companies since 1989 and continues to do so each year. For every dollar invested through this program, Hawaii companies have attracted 20 federal dollars in return to the state, plus commercialization funding. The federal SBIR grant program has increased their efforts to move companies through grant awards to commercial product sales. However, the federal SBIR program has not dedicated additional funds towards these efforts. SB1003 allows HTDC the opportunity to further assist these companies in the SBIR path to commercialization. Along with the matching grant funding, HTDC comments that companies require the support of a commercialization assistance program.

HTDC requests the bill be amended to keep section (c) which defines the rules for administering the matching grant program. For clarification, we request the following should remain in the statute:

- (c) The development corporation shall adopt rules pursuant to chapter 91 that:
 - (1) Specify the qualifications for eligibility of grant applicants;
 - (2) Establish priorities in determining eligibility in the event that insufficient funds are available to fund otherwise qualified applicants; and
 - (3) Give preference to all qualified businesses receiving their first award in one fiscal year over multiple award grantees.

The development corporation may adopt any other rules pursuant to chapter 91 necessary for the purposes of this section. Thank you for the opportunity to offer these comments.



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

Before the
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY
February 4, 2015
2:45 p.m.
State Capitol, Conference Room 016
In Support of
SB1003 RELATING TO TECHNOLOGY

To: Chair Glenn Wakai, Vice Chair Sam Slom and Members of the Committee

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

Re: Testimony in Support of SB1003

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony **in support of SB1003**

The technology industry in Hawaii has grown over the past 10 years and has made significant strides towards achieving the goal of diversifying and stimulating Hawaii's economy.

Early stage support has been made available to "start up" companies, through state support of "accelerators". These accelerators provide mentoring and modest financial support to kick start a business.

Other companies that are developing cutting edge technologies rely on federal support through the Small Business Innovation Research ("SBIR") grant program, which encourages and funds early stage ideas and innovations. The technology risk level for these programs are often high and untested. Great ideas emerge from this early stage funding, and these ideas and technologies are vetted and competed at a national level. However, with the level of funding that is provided in a SBIR Phase I grant, there is barely enough money to demonstrate proof-of-concept for a technology. The follow-on funding that is required is essential to move the technology towards prototyping, customer interface and development.

HB10039 would fill this critical "gap" in funding by supplementing the SBIR program, a program that has been tested by time. This funding gap (aka known as the "valley of death") is an acute problem in Hawaii due to our immature capital market support. Investment capital for technology in Hawaii faces critical challenges because this industry is still in the early stages of development in Hawaii, and there is a general lack of historical investment into this arena. This creates tremendous hurdles to the evolution of this industry.

Over the last several years, much attention was given to the development of software start-ups and social media as an industry. This has been an attractive industry as it requires little to no start-up capital and has low barriers to entry. Today, the leading tech arenas in the nation have found that the need to support “hard tech” is still required in order to maintain a vital, stable and critical part of the economic infrastructure. This industry is in flux, and most in Silicon Valley would agree that the days of these easy start-ups are gone. The focus is once again on developing cutting edge technology – development that requires longer timeframes, and significantly more capital investment.

HB1069 will leverage the Hawaii Technology Development Corporation’s (HTDC) grant program, which has been in place since 1983. The purpose of the program has been to match SBIR Phase I grants. Phase I grants cover early stage ideas and technology development. Proposal topics are developed by agencies to address areas of national need. Proposals are vetted nationally and are extremely competitive. Ideally, a successful Phase I project will be able to show “proof of concept”. More often than not - this usually means proof on paper – there is not enough funding in these early stage grants to actually develop or test a prototype.

HB1069 would broaden the existing program by adding a matching grant component to mid- to later- stage funding at the SBIR Phase 2 or Phase 3 stages to support the development of working prototypes that stem out of these technologies. This would fill a large gap in the technology development process and would promote the maturation and commercialization of novel technologies.

The objectives of this bill are:

- To act as a bridge across the “valley of death” and to assist in commercializing research discoveries for societal benefit;
- 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 HB1069 and we appreciate your continued support of the technology industry.



Written Statement of Michael Pfeffer, CEO, Ibis Networks

Before the
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY
February 4, 2015
2:45 p.m.
State Capitol, Conference Room 016
In Support of
SB 1003 RELATING TO TECHNOLOGY

Honorable Chair Wakai, Vice-Chair Slom and Members of the Committee:

Thank you for the opportunity to submit testimony in **STRONG SUPPORT** of **SB 1003**.

The technology industry in Hawaii has grown over the past ten years and has made significant strides toward achieving the goal of diversifying Hawaii's economy. Many companies compete for federal support through the Small Business Innovation Research (SBIR) grant program, which encourages and funds early stage ideas and innovations. While Phase I funding under the program has provided support for research activities of fledgling Hawaii companies, its use is limited to research, and does not provide any funds for these companies to move past the research and development (R&D) stage onto the commercialization stage that would not only support economic growth and diversification of our economy, but would also go far in creating good paying jobs and reducing the "brain drain" that has afflicted our state for far too long.

A spin-off of Oceanit, Ibis Networks is poised and ready to take that leap from pure R&D to true commercialization. As beneficiaries of seed investors and a grant from the Office of Naval Research via the Energy Exelerator program, as well as the support of Oceanit, we have successfully managed our resources to not only peak the interest of potential Series A investors, but have also been able to expand our team, including the recent employment of an exceptional new graduate of the University of Hawaii who, not coincidentally, was one of Oceanit's interns. Thus, the growth of our company speaks to the potential for Hawaii startups to help in the diversification and strengthening of Hawaii's economy as well as to play a big role in reducing the "brain drain."

This is why we **STRONGLY SUPPORT SB 1003**, which would expand the state matching funds for Phases II and III of the federal SBIR program to provide support for the commercialization activities of local start-up companies like ours. Not only would this expansion of funding increase the level of federal monies to our State, it would go far in ensuring that our keiki have good paying jobs here at home.

Again, thank you for the opportunity to testify.