



February 25, 2015

Senator Jill N. Tokuda, Chair, Chair
Senator Ronald D. Kouchi, Vice Chair
Senate Committee on Ways and Means
Hawaii State Capitol, 415 S. Beretania St.
Honolulu, Hawaii 96813

Dear Chair Tokuda, Vice Chair Kouchi, and Members of the Committee:

The Hawaii Aquaculture and Aquaponics Association **strongly supports SB 1003**, "Relating to Technology," which would allow the High Technology Development Corporation to provide grants to businesses with Federal SBIR Phase II and Phase III awards. These grants would assist Hawaii's small businesses during the difficult phase of commercialization of products and services developed using Phase I research.

Aquaculture and aquaponics certainly qualify as "high tech" industries, and further development of these industries will increase Hawaii's food security as well as providing jobs and potential export products. Hawaii businesses have received Phase I and Phase II awards for innovative techniques of aquaculture production and for products of interest to the aquaculture industry.

Although Federal Phase II and Phase III awards are intended to allow the recipient to take Phase I research results through to full commercialization, such efforts are expensive and often require further resources that small businesses may not have. We therefore urge you to pass SB 1003, and help keep Hawaii competitive in these critical technologies.

Thank you for the opportunity to testify on this important matter.

Sincerely,

A handwritten signature in cursive script that reads "Frederick M. Mencher".

Frederick M. Mencher
Treasurer, Hawaii Aquaculture and Aquaponics Association

SB1003

Submitted on: 2/25/2015

Testimony for WAM on Feb 26, 2015 09:00AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Alan Gottlieb	Hawaii Cattlemen's Council	Support	No

Comments:

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HAWAII FISH COMPANY INC

North Shore AquaFarm

Est. 1978

P. O. Box 740
Waialua, HI 96791, USA
Contact: 808-429-3147
E-mail: hawaiiifish@gmail.com

City Bank TIGR Award
US SBA Tibbitts Award
US SBA Small Business Award
Special Congressional Recognition

Hawaii Fish Company Inc (HFC) strongly supports SB 1003 Relating to Technology.

HFC has been actively involved in the Federal and Hawaii SBIR program since 1993 during which time we have been awarded five USDA/SBIR Phase I awards and four Phase II awards. These grants have enabled HFC to research and develop new aquaculture products and technologies, and ultimately to become Hawaii's oldest commercial aquaculture farm.

Hawaii companies have been among the most successful in the nation in obtaining Federal Phase I awards but have not been as successful in their pursuit of Phase II research and development grants and Phase III commercialization efforts as have companies in some other states, due at least in part to Hawaii's physical remoteness and the high costs associated with doing research and business in Hawaii. This situation has been exacerbated by the limitations placed on the use of Federal SBIR funds, which: 1. Do not cover the costs associated with the protection of intellectual property developed under the SBIR program, such as obtaining critical patents; 2. May not cover the purchase of essential research equipment necessary to successfully carry out the R&D effort; and 3. Often cover only limited travel budgets, which places Hawaii companies at a clear disadvantage in being able to meet with the Federal agencies, National Program Leaders, Federal Laboratory and University researchers, in developing critical research and development collaborations, and in pursuing and maintaining critical national and international business relationships and partnerships that are often essential to a successful commercialization effort in our global economy. These inherent Federal programmatic constraints often place Hawaii technology companies at a disadvantage in the proposal review process as they compete with companies from other states that do not have Hawaii's geographic challenges and limited access to collaborative research support and equipment.

SB 1003 provides the opportunity for HTDC to help level the playing field for Hawaii's technology companies, enabling them to compete on more even footing for these increasingly scarce and competitive Federal SBIR Phase II research dollars and be more successful in their Phase II R&D and Phase III commercialization efforts. HFC strongly supports this important measure and urges its passage this session to help ensure the long term growth of Hawaii's technology sector including the development of cutting-edge agricultural and aquacultural technologies to help support increased local food production.



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

Before the
SENATE COMMITTEE ON WAYS AND MEANS

February 26, 2015

9:00 a.m.

State Capitol, Conference Room 211

In Support of

SB1003 RELATING TO TECHNOLOGY

To: Chair Jill N. Tokuda, Vice Chair Ronald D. Kouchi 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.

SB1003 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.

SB1003 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.

SB1003 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 SB1003 and we appreciate your continued support of the technology industry.



**Testimony to the Senate Committee on Ways and Means
Thursday, February 26, 2015 at 9:00 A.M.
Conference Room 211, State Capitol**

RE: SENATE BILL 1003 RELATING TO TECHNOLOGY

Chair Tokuda, Vice Chair Kouchi, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **supports** SB 1003, which 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. Also 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.

The Chamber is the largest business organization in Hawaii, representing about 1,000 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.

The High Technology Development Corporation (HTDC) has offered assistance to Phase I 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. HB 1069 would allow HTDC to provide the necessary support of a commercialization assistance program.

We request that the bill be amended to keep section (c) which defines the rules for administering the matching grant program. For clarification, we request that 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 testify.

Written Statement of
ROBBIE MELTON
Executive Director & CEO
High Technology Development Corporation
before the
SENATE COMMITTEE ON
WAYS AND MEANS

Thursday, February 26, 2015
9:00 a.m.
State Capitol, Conference Room 211
In consideration of

SB1003 RELATING TO TECHNOLOGY.

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

The High Technology Development Corporation (HTDC)) **strongly 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. HTDC also comments that additional funding would be required to provide matching grants for phase 2 and 3 and suggests that \$2,000,000 would be an appropriate amount.

Thank you for the opportunity to offer these comments.

SB1003

Submitted on: 2/25/2015

Testimony for WAM on Feb 26, 2015 09:00AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Janet Ashman	Individual	Support	No

Comments: The Hawaii SBIR matching grant program can benefit local state of the art agriculture and aquaculture producers that receive competitive Federal Small Business Innovative Research (SBIR) grants. The proposed Phase II and III State matching funds will help these small farm businesses increase their commercialization success rates and become more competitive in the increasingly competitive global marketplace. Good for them and good for Hawaii's agriculture. Please pass this measure. Thank you.

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SB1003

Submitted on: 2/24/2015

Testimony for WAM on Feb 26, 2015 09:00AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Support	No

Comments:

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Hawaii Evolutionary Development, LLC
2221 Seaview Avenue
Honolulu, HI 96822

Written Statement of Dr. Takashi Sugimura

Before the

COMMITTEE ON WAYS AND MEANS

February 26, 2015

9:00 a.m.

State Capitol, Conference Room 211

In Support of

SB1003 RELATING TO TECHNOLOGY

TO: Honorable Chair Jill N. Tokuda, Vice-Chair Ronald D. Kouchi and Members of the Committee:

FROM: Dr. Tak Sugimura, Hawaii Evolutionary Development, LLC

RE: Testimony in Support of SB1003

Thank you for the opportunity to submit testimony in **STRONG SUPPORT** of HB1069. I am one of the founders of Hawaii Evolutionary Development, LLC a local high technology start up. We have competed and won Air Force contracts for SBIR Phase I and SBIR Phase II worth over \$1million. Between the end of our Phase I and the beginning of Phase II, we were assisted by a State of Hawaii HSDC grant for \$25,000 that allowed us to write our SBIR Phase II proposal which we competed and won over intense competition. We are in the process of completing our SBIR Phase II contract and have been asked by the Air Force to submit a SBIR Phase III proposal which is the terminal commercialization component of the SBIR program. The funding provided to successful local candidates under HB1069 will provide the “gap funding” to allow Hawaii companies to compete for SBIR Phase III.