



Jane A. Sawyer
District Director
U. S. Small Business Administration
Hawaii District Office

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**“Expanding Hawaii’s STEM Pipeline: Examining Opportunities to Grow Small
Businesses, Entrepreneurs, and the STEM Workforce”**

Aloha and good morning, Senator Hirono, and special guests for this hearing. It is an honor to be here with you today.

My name is Jane Sawyer and I am the District Director of the Hawaii District Office of the U.S. Small Business Administration (SBA). I appreciate the invitation to present comments on SBA’s role in expanding Hawaii’s science, technology, engineering, and mathematics (STEM) Pipeline and examining the opportunities to grow small businesses, entrepreneurs and the STEM workforce.

The SBA was created by Congress in 1953 as an independent agency of the federal government to aid, counsel, assist and protect the interests of small business concerns, to preserve free competitive enterprise and to maintain and strengthen the overall economy of our nation. The SBA has delivered millions of loans, loan guarantees, contracts, counseling sessions and other forms of assistance to small businesses since that time.

SBA achieves this mission by providing access to capital, contracting assistance and consulting with an extensive network of public- private partnerships and a broad spectrum of programs tailored to the needs of the small business community. The agency continually adapts and responds to changes in the economy, evolving small business markets and technologies to better support small businesses and entrepreneurs with relevant and accessible programs and services.

The challenge for Hawaii is to create and maintain a strong economic environment that encourages and values small businesses and entrepreneurial ventures, making sure that resources for capital, consulting, contracting assistance and innovation are available so those small entities can compete in a sophisticated and challenging market with global implications and reach. SBA joins and supports you in that challenge with a portfolio of programs and services providing resources to small ventures to start, grow and succeed and to further expand an ecosystem for innovation with tools to inspire and motivate entrepreneurs to pursue their goals.

Together, we must prepare and engage a workforce that includes the talents, skills and vision of all people of Hawaii, from diverse backgrounds and historically underrepresented demographic groups. This requires a high performing public school and university system, but also accessible and affordable business consulting, training and technical assistance that goes beyond the framework of academic institutions through resources like small business development centers, women's business centers, trade and export training, accelerators, incubators and other entrepreneurial development projects.

To expand the nation's innovation ecosystem, SBA launched the first ever Growth Accelerator Fund Competition in 2014. With highly successful outcomes reported for job creation and capital investment, a second round took place in 2015 with \$4 million in appropriated funds. More than 400 accelerators entered from across the country. Three of Hawaii's competitors were each awarded a \$50,000 prize, ranking among the top performing states in the country.

Hawaii's winning accelerator projects included:

- Global Virtual Studio, a 2014 and 2015 prize winner, uses innovative models of transmedia production and an incubator setting, connects artists with resources and entrepreneurial skills, and specializes in everything from development and creative proof of concept to post production and marketing for a wide array of transmedia products. GVS is located in Kailua-Kona with a new satellite established in Honolulu in 2016 with State support.
- XLR8UH is a first of its kind Proof of Concept Center and Venture Accelerator. In 2014, UH Office of Research and Innovation initially funded XLR8UH to educate, mentor, and invest in the IP of local researchers such as students, post docs, faculty, and alumni. XLR8UH is one of the first university investment programs in the nation to take an equity stake in the companies in which it invests, revolutionizing the way innovation is commercialized at universities.
- SBA also sought new accelerator models that supported women and underrepresented groups or gap industries in the 2015 Accelerator competition. As a result, the Maui Food Innovation Center at Maui College also won a \$50,000 prize to support the Maui Accelerator Program (MAP), a skills and technical assistance

project targeting women and minority-owned enterprises including Native Hawaiian led businesses who aspire to create new value added food products, using the latest industry technology, trends and supporting sustainable sourcing for the islands as well as developing potential goods for export.

SBA's State Trade Expansion Program (STEP) funds in Hawaii support building capacity for small businesses that look out to the horizon and beyond for new customers.

Administered with the State Department of Business Economic Development & Tourism (DBEDT), SBA's export promotion program offers training, tools, and opportunities to identify and network with qualified international business opportunities. STEP helps to connect Hawaii's small businesses with global customers and trade partners through conferences, expos and trade shows such as the annual international BioTech conference. Innovation entrepreneurs have successfully participated in training, marketing research, project financing and international trade show events.

With the knowledge that technology plays a central role in how businesses today start, operate, grow and their productivity and success, SBA established the Small Business Technology Coalition to helping small businesses leverage technology as a core driver of growth and differentiation. The public private sector partners in this cosponsored effort to increase digital education and link to the latest digital tools to launch, grow, market and manage their business include Microsoft, LegalZoom, Salesforce, Zenefits, Amazon and others. Locally, we will be launching a training and promotion effort with TechConnect partners to help small businesses optimize opportunities like Small Business Saturday, a project scheduled in November 2016.

To increase awareness of entrepreneurial innovation and product gaps, SBA initiated and conducts the InnovateHER campaign to champion the next generation of women disruptors in the hi-tech and innovation space. The Office of Women's Business Ownership established this annual initiative in 2014, an extension of SBA's commitment to engage and support the full talent pool of our nation and empower women entrepreneurs, particularly in the traditionally underrepresented STEM fields. To date, we've engaged over 300 organizations nationally and 2500 entrepreneurs through this challenge.

With SBA, three local hosts – the Patsy Mink Center for Business and Leadership, our Women's Business Center partner in Hawaii; the Maui Economic Development Board; and XLR8UH, - conducted training and held pitch competitions for inventors and entrepreneurs who could offer new products or services that have a measurable impact and empower the lives of women and families, that fill a need in the marketplace and has potential for commercialization. As a result, three winners from Hawaii were selected and entered the national "InnovatingHer Challenge" to compete for cash prizes, enlarging the spotlight focused on savvy women entrepreneurs, inventors, and designers across the country.

With our WBC, The Patsy Mink Center for Business and Leadership, a women's resource named to honor the leadership and vision of Maui's own Patsy T. Mink, SBA provides training, consulting and deploys 21st century tools, resources and business models for women owned small businesses to realize their full potential and compete on a level playing field. In 2015, the WBC counseled and trained over 1100 entrepreneurs and assisted in launching 13 new businesses.

SBA works to support the 5% goal for women's contracting – achieved for the first time in history in FY 15, a breakthrough achieved with the commitment of the White House, Congress and other federal agencies – through the Women Owned Small Business

Contracting certifications. We continue this effort to link federal contracting opportunities to women in underrepresented industries such as STEM professions with the local quarterly Women in Contracting Roundtable Network and with the national ChallengeHER project, developed to prepare more women to pursue and succeed in the contracting arena.

Across the nation, SBA and public private partners have trained more than 5,800 entrepreneurs on how to compete for federal awards through ChallengeHER.

While efforts continue to assure that women get equal pay for equal work, the WOSBC and Disadvantaged Small Business programs will yield dividends in that area as well since small businesses that win federal contracts earn more revenue, create jobs, and pay their employees higher wages on average.

SBA government contracting certifications present the opportunity for many small business owners to overcome social and economic disadvantages and gain the skills and experience necessary to compete, win, and perform on federal government contracts. Those certifications include 8(a) Business Development Program for socially and economically disadvantaged individuals, HUBZone Program, Service-Disabled Veteran-Owned Small Business Concern Program, Women Owned Small Business program, and are designed to level the playing field and meet the small business contracting targets of the federal government set by Congress.

SBA is the nation's leading source of financing for small businesses through a range of loan programs designed for business owners who may not qualify for a traditional bank loan, getting capital into the hands of underserved populations.

Over the last few years, 7(a) loans have increased to women, veterans, minorities including Hispanics, Asian Americans and Pacific Islanders, Native Americans and

rural entrepreneurs. With a record level of financing in 2015, the trend extended to Hawaii where SBA loans hit all-time highs in loan numbers and volume.

Both the 7(a) loan guaranty program and the 504 fixed asset, long term financing program are active and well received locally. Working with banks, credit unions and Certified Development Companies, SBA shores up the financial ecosystem for underserved communities and provides solutions for small business financing with the latest tools and funding tactics including targeted loans that can help companies to begin, and then expand, their export sales.

LINC, our acronym for “Leveraging Information and Networks to access Capital”, is an online referral tool to connect small business borrowers with participating SBA Lenders. On completion of an online questionnaire, a prospective borrower can be connected with interested guaranteed lenders in their local area to facilitate further discussion and loan applications. This digital pre-screen and search is working for small businesses in Hawaii. One of our first LINC referrals resulted in securing funding for a military veteran planning to open a new boutique ice cream shop, approved within a week of submitting his on-line request.

SBA’s Office of Investment and Innovation (OII) has led the effort to inject record levels of capital into innovative small businesses through the Small Business Innovation Research (SBIR) program, a three phase competitive award currently reauthorized by Congress through 2017. The Small Business Technology Transfer, or STTR, program is designed to facilitate the transfer of technology developed by

a research institution with a small business concern. Both programs encourage commercialization of new discoveries.

Each year, Federal agencies with extramural research and development (R&D) budgets that exceed \$100 million are required to allocate 3% of their R&D budget to these programs. SBA serves as the coordinating agency for the programs, administering the implementation of SBIR awards by the 11 federal agencies and STTR from five, reviewing the progress, and reporting annually to Congress on operations and results.

From 1982 to the present SBIR Hawaii has received 587 awards for over \$158 million. Winners of R&D awards in our state include firms as diverse as Oceanit Laboratories, Hawaii Biotech, Inc; Kampachi Farms; Tissue Genesis; Makai Ocean Engineering, 3SRM, Inc; Navatek Ltd; Hnu Photonics; Spectrum; Terasys Technologies, LLC; Diamondhead Research; Referentia Systems; Pacific Rim Defense, to name a few. Their research and product development covers science and technology applications ranging from image fusion impact on the retina to fish farming techniques; robotics at sea; Coastal current measurements; signals intelligence for real time metrics; Ship Energy Use; Aircraft Data Analysis, food sustainability and Mosquito borne dengue virus treatments.

Another vital program for the innovation sector, the Small Business Investment Company program has grown to \$25 billion dollars in capital infusion, currently distributing about \$2 billion a year. The Investment Company Act of 1958 established the Small Business Investment Company (SBIC) Program, under

which SBA licensed, regulated and helped provide funds for privately owned and operated venture capital investment firms. SBICs provide seed and impact funding for innovation and technology firms that will drive competitiveness and job creation.

Small business is critical to our economic strength in Hawaii and our nation, to building our future, and to allow us to compete in today's global marketplace.

In the global economy, we need to be ready and able to compete not just in our state but beyond the reef to the mainland and to the world markets.