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# A BILL FOR AN ACT

RELATING TO TECHNOLOGY.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1 **PART I**

2 SECTION 1. The legislature finds that the Hawaii small  
3 business innovation research program has successfully helped  
4 many Hawaii businesses win coveted federal funding through the  
5 federal small business innovation research program and has also  
6 helped many small businesses further develop their intellectual  
7 property. However, while successful, the current statute only  
8 authorizes the Hawaii small business innovation research program  
9 to provide grants for phase I (startup) awardees, and not those  
10 in phase II (prototyping) or phase III (commercialization).  
11 This hinders local businesses from fully commercializing their  
12 research and limits job creation and economic activity.

13 The legislature also finds that Hawaii companies that win  
14 federal small business innovation research funding should then  
15 be able to apply to the Hawaii small business innovation  
16 research program for small business innovation research phase II  
17 or phase III matching funds. Expanding the matching grant  
18 program will provide the necessary funding for Hawaii's high



1 technology companies to break out of the research and  
2 development cycle and transform advanced research into  
3 innovative products, services, and companies. In particular,  
4 expanding the current matching funds program would permit  
5 Hawaii's high technology companies to successfully evolve from  
6 research and development only entities into commercially viable,  
7 globally competitive businesses.

8       The legislature further finds that expanding the current  
9 matching funds program would not only expand Hawaii's high  
10 technology industry, but would also bolster the State's effort  
11 to diversify and strengthen the local economy in anticipation of  
12 the next economic downturn. Expanding the current matching  
13 funds program will also serve to further the public interest in  
14 reducing "brain drain." The State has been losing too many of  
15 Hawaii's exceptional young people to other states and countries  
16 because of the limited number of high-growth, high-paying  
17 industries and jobs to keep them here or bring them back. In  
18 addition, many of the small business innovation research  
19 companies in Hawaii are also involved in dual-use work for the  
20 military, and as such, the expansion of the matching funds



1 program will help bolster Hawaii's importance to the military  
2 and help keep the military invested in the State.

3 The purpose of this part is to expand the Hawaii small  
4 business innovation research program to provide a match for  
5 phase II and phase III awardees to diversify Hawaii's economy,  
6 secure the investment of millions of federal dollars into the  
7 Hawaii economy, and provide a framework for young people to  
8 create their own high tech companies as part of the State's plan  
9 to establish an innovation economy in Hawaii.

10 SECTION 2. Section 206M-15, Hawaii Revised Statutes, is  
11 amended to read as follows:

12 **"§206M-15 High technology research and development loans**  
13 **and grants.** (a) All moneys necessary to carry out the purposes  
14 of this section shall be allocated by the legislature through  
15 appropriations out of the state general fund. The development  
16 corporation shall include in its budgetary request for the  
17 upcoming fiscal period, the amounts necessary to effectuate the  
18 purposes of this section. All moneys, interest charges, and  
19 other fees collected by the development corporation under this  
20 section shall be deposited to the credit of the state general  
21 fund. In making any expenditure under this section, the



1 development corporation shall analyze each funding request to  
2 determine whether the project to be undertaken will be  
3 economically viable and beneficial to the State.

4 (b) The development corporation may provide grants to any  
5 business in Hawaii that:

6 (1) Receives a federal small business innovation research  
7 phase I, II, or III award or contract from any  
8 participating federal agency, up to fifty per cent of  
9 the amount of the federal award or contract;

10 (2) Receives a federal small business technology transfer  
11 program award or contract from any participating  
12 federal agency, up to fifty per cent of the amount of  
13 the federal award or contract; or

14 (3) Applies for a small business innovation research  
15 federal grant or a small business technology transfer  
16 program federal grant, in an amount not to exceed  
17 \$3,000,

18 subject to the availability of funds.

19 (c) The development corporation shall adopt rules pursuant  
20 to chapter 91 that:



- 1 (1) Specify the qualifications for eligibility of grant  
2 applicants;
- 3 (2) Establish priorities in determining eligibility in the  
4 event that insufficient funds are available to fund  
5 otherwise qualified applicants; and
- 6 (3) Give preference to all qualified businesses receiving  
7 their first award in one fiscal year over multiple  
8 award grantees.

9 The development corporation may adopt any other rules pursuant  
10 to chapter 91 necessary for the purposes of this section.

11 ~~[(d) If funds appropriated for the purpose of making~~  
12 ~~grants under this section are inadequate to satisfy all~~  
13 ~~qualified requests, the development corporation shall apply for~~  
14 ~~funds to be transferred from the Hawaii capital loan revolving~~  
15 ~~fund to provide the grants in accordance with subsection (b).~~  
16 ~~The amount of any single transfer of funds shall not exceed~~  
17 ~~\$100,000, and the development corporation shall transfer the~~  
18 ~~entire amount back to the Hawaii capital loan revolving fund~~  
19 ~~within twelve months of receiving the funds. No more than one~~  
20 ~~fund transfer shall be outstanding at any one time. The~~  
21 ~~director of business, economic development, and tourism may~~



1 ~~transfer funds from the Hawaii capital loan revolving fund to~~  
2 ~~the development corporation upon request to carry out the~~  
3 ~~purposes of this section. Transfers of funds shall be made~~  
4 ~~without any charges or fees.] "~~

5 SECTION 3. There is appropriated out of the general  
6 revenues of the State of Hawaii the sum of \$ or so  
7 much thereof as may be necessary for fiscal year 2015-2016 and  
8 the same sum or so much thereof as may be necessary for fiscal  
9 year 2016-2017 for the purposes of providing grants and loans  
10 for phases II and III awards.

11 The sums appropriated shall be expended by the department  
12 of business, economic development, and tourism for the purposes  
13 of this part.

14 PART II

15 SECTION 4. The legislature finds that there is a great  
16 need for Hawaii to develop and support manufacturing in the  
17 State. Hawaii imports over ninety per cent of the products  
18 consumed each year. At the same time, there is a great demand  
19 outside the State for products that are made in Hawaii.

20 The legislature finds that the lack of available resources  
21 and qualified businesses and overuse of obsolete equipment have



1 contributed to significantly barring future market  
2 competitiveness of Hawaii businesses and foreign investment  
3 interest in the State and businesses located across the islands.  
4 The legislature finds that it is incumbent on the State to ease  
5 the financial burdens facing particular businesses and to ensure  
6 the long-term financial and economic sustainability of the  
7 State.

8 The purpose of this part is to promote manufacturing in  
9 Hawaii by establishing a grant program for manufacturers who  
10 incur expenses for manufacturing certain products and training  
11 programs in Hawaii.

12 SECTION 5. Chapter 206M, Hawaii Revised Statutes, is  
13 amended by adding a new section to be appropriately designated  
14 and to read as follows:

15 "§206M- Hawaii manufacturing capital grant program.

16 There is established the Hawaii manufacturing capital grant  
17 program, to be administered by the development corporation  
18 through a program administrator, to provide grants to Hawaii-  
19 based companies that relate to:

20 (1) Purchasing of manufacturing equipment;



1        (2) Training programs for employees on the proper and safe  
2        methods of operating relevant manufacturing equipment;

3        (3) Improving business practices involving use of existing  
4        manufacturing equipment or purchase of improved energy  
5        efficiency equipment involved in the manufacturing  
6        process; or

7        (4) Studies or plans the implementation of a new  
8        manufacturing facility;

9        provided that no grant shall exceed twenty per cent of the cost  
10       of any of the above items, and no company shall receive a grant  
11       exceeding \$100,000 in any given year.

12       (b) The development corporation shall report to the  
13       legislature, no later than twenty days prior to the convening of  
14       the regular session held in every even-numbered year, the  
15       following items:

16       (1) The total number of grants provided;

17       (2) The sectors provided with grants;

18       (3) The total projected economic and employment growth  
19       facilitated by the grants provided;

20       (4) The actual economic and employment growth that  
21       occurred as a result of the grants provided;





- 1 (5) The actual economic and financial growth of each  
2 business for five years past the end date of any grant  
3 received under this section; and
- 4 (6) The full business name, the date of the business's  
5 establishment, and the number of the business's  
6 employee workforce as existed at the time of which the  
7 grant was provided."

8 SECTION 6. There is appropriated out of the general  
9 revenues of the State of Hawaii the sum of \$2,000,000 or so much  
10 thereof as may be necessary for fiscal year 2015-2016 and the  
11 same sum or so much thereof as may be necessary for fiscal year  
12 2016-2017 for the Hawaii manufacturing capital grant program.

13 The sums appropriated shall be expended by the high  
14 technology development corporation for the purposes of this  
15 part.

16 PART III

17 SECTION 7. Statutory material to be repealed is bracketed  
18 and stricken. New statutory material is underscored.

19 SECTION 8. This Act shall take effect on July 1, 2015.



**Report Title:**

Small Business Innovation Research Awards; Technology; Hawaii  
Manufacturing Capital Grant Program; Appropriation

**Description:**

Authorizes and appropriates funds for HTDC to provide grants to  
businesses with a federal small business innovation research  
phase II or III award. Establishes and appropriates funds for  
the Hawaii manufacturing capital grant program. (SD1)

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not legislation or evidence of legislative intent.*

