



GOV. MSG. NO. 1317

EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

July 7, 2015

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Twenty-Eighth State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Joseph M. Souki,
Speaker and Members of the
House of Representatives
Twenty-Eighth State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

This is to inform you that on July 7, 2015, the following bill was signed into law:

HB1069 HD1 SD2 CD1

RELATING TO TECHNOLOGY
ACT 216 (15)

Sincerely,

DAVID Y. IGE
Governor, State of Hawai'i

[Faint handwritten signature]

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OFFICE OF THE PRESIDENT

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RECEIVED
THE SENATE
CLERK'S OFFICE
STATE OF HAWAII

A BILL FOR AN ACT

RELATING TO TECHNOLOGY.

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

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

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



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

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



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

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

10 "**§206M-15 High technology research and development loans**
11 **and grants.** (a) All moneys necessary to carry out the purposes
12 of this section shall be allocated by the legislature through
13 appropriations out of the state general fund. The development
14 corporation shall include in its budgetary request for the
15 upcoming fiscal period, the amounts necessary to effectuate the
16 purposes of this section. All moneys, interest charges, and
17 other fees collected by the development corporation under this
18 section shall be deposited to the credit of the state general
19 fund. In making any expenditure under this section, the
20 development corporation shall analyze each funding request to



1 determine whether the project to be undertaken will be
2 economically viable and beneficial to the State.

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

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

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

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

17 subject to the availability of funds.

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

20 (1) Specify the qualifications for eligibility of grant
21 applicants;



1 (2) Establish priorities in determining eligibility in the
2 event that insufficient funds are available to fund
3 otherwise qualified applicants; and

4 (3) Give preference to all qualified businesses receiving
5 their first award in one fiscal year over multiple
6 award grantees.

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

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



1 ~~purposes of this section. Transfers of funds shall be made~~
2 ~~without any charges or fees.] "~~

3 SECTION 3. There is appropriated out of the general
4 revenues of the State of Hawaii the sum of \$2,000,000 or so much
5 thereof as may be necessary for fiscal year 2015-2016 for the
6 purposes of providing grants and loans for phases II and III
7 awards.

8 The sum appropriated shall be expended by the department of
9 business, economic development, and tourism for the purposes of
10 this Act.

11 SECTION 4. Statutory material to be repealed is bracketed
12 and stricken. New statutory material is underscored.

13 SECTION 5. This Act shall take effect on July 1, 2015.

APPROVED this 7 day of JUL , 2015

David Y. Ige

GOVERNOR OF THE STATE OF HAWAII

