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# 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.



**Report Title:**

Small Business Innovation Research Awards; Technology;  
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. (HB1069 CD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

