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# A BILL FOR AN ACT

RELATING TO INNOVATION BUSINESS INTERACTION.

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

1           SECTION 1. The legislature finds that to be successful in  
2 the twenty-first century global economy, Hawaii must position  
3 itself as a leader in technology development, transfer, and  
4 commercialization. Significant progress has been made over the  
5 last few years through programs supported by federal and state  
6 initiatives, such as programs administered by the high  
7 technology development corporation, Hawaii strategic development  
8 corporation, and the Hawaii technology development venture, but  
9 more is required to advance Hawaii's technology industry to  
10 achieve local technology commercialization. Innovation in  
11 science and technology fields will not only enable the State to  
12 succeed in the global marketplace, but will also support the  
13 State's sustainable economic development goals to include a  
14 viable and vibrant technology and manufacturing labor force.

15           The purpose of this Act is to build on the successes of  
16 Hawaii's science and technology industries and establish a  
17 commercialization loan program, to be known as the impact loan



1 fund for Hawaii to support Hawaii-based small businesses in the  
2 fields of dual-use technologies, tourism-technology,  
3 agriculture-technology, ocean recreational-technology, finance-  
4 technology, building and construction-technology, life science-  
5 technology, biomedical engineering-technology, aerospace-  
6 technology, and other cross-industry collaborations, excluding  
7 energy generation technology, with Hawaii's technology sector.

8 SECTION 2. Chapter 206M, Hawaii Revised Statutes, is  
9 amended by adding two new sections to part I to be appropriately  
10 designated and to read as follows:

11 "§206M-A Impact loan fund for Hawaii; HI-impact loan  
12 program; established. (a) There is established within the  
13 development corporation, the impact loan fund for Hawaii, to be  
14 also known as the HI-impact loan program, to support Hawaii-  
15 based small businesses in the fields of dual-use technologies,  
16 tourism-technology, agriculture-technology, ocean recreational-  
17 technology, finance-technology, building and construction-  
18 technology, life science-technology, biomedical engineering-  
19 technology, aerospace-technology, and other cross-industry  
20 collaborations, excluding energy generation technology.



1        (b) The purposes of the HI-impact loan program shall be

2        to:

3        (1) Develop, implement, and operate a comprehensive loan  
4        program to support product development, technology  
5        transfer, and commercialization;

6        (2) Provide capital to support accelerated  
7        commercialization activities in the fields of dual-use  
8        technologies, tourism-technology, agriculture-  
9        technology, ocean recreational-technology, finance-  
10       technology, building and construction-technology, life  
11       science-technology, biomedical engineering-technology,  
12       aerospace-technology, and other cross-industry  
13       collaborations, excluding energy generation  
14       technology;

15       (3) Provide capital to sustain high-potential business  
16       infrastructure development to assist the enterprise  
17       towards commercial success;

18       (4) Promote high-quality, high-income job opportunities  
19       for Hawaii's residents and graduates of Hawaii's  
20       educational institutions;



1       (5) Reverse the loss of qualified workers to other states  
2           by providing jobs to retain existing Hawaii technology  
3           employees and enable highly qualified scientists and  
4           engineers to return to living-wage jobs in Hawaii; and

5       (6) Keep technology companies in Hawaii by limiting the  
6           need to seek out-of-state venture capital, which  
7           dilutes local ownership and increases the probability  
8           of high-potential technology companies moving from  
9           Hawaii.

10       (c) The board may hire an administrator for the HI-impact  
11 loan program, who shall be known as the HI-impact administrator.  
12 The board may set the salary for the HI-impact administrator.  
13 The HI-impact administrator position shall be exempt from  
14 chapter 76.

15       (d) The development corporation may model the HI-impact  
16 loan program after the Maryland technology development  
17 corporation technology commercialization fund, which became the  
18 seed funding program. The HI-impact loan program's  
19 responsibilities may include but not be limited to:

20       (1) Providing funding specifically for a first investment  
21           of up to \$                   to provide funds for critical



1 product development that enables a business to achieve  
2 significant product development and technical  
3 milestones;

4 (2) Making program eligibility dependent upon the  
5 following criteria:

6 (A) The business shall be a for-profit entity located  
7 in the State with fewer than sixteen full-time  
8 equivalent employee positions; and

9 (B) The business shall be pre-revenue or have  
10 received less than an aggregate of \$500,000 in  
11 equity investments; and

12 (3) Offering the loans in the form of a convertible note  
13 bearing eight per cent interest.

14 (e) To receive funding, a Hawaii-based business shall:

15 (1) Submit qualified proposals to the development  
16 corporation for funding in accordance with program  
17 requirements specified by the development corporation;  
18 provided that a majority of the work under the award  
19 shall be performed in the State;

20 (2) Submit to the HI-impact administrator a  
21 commercialization budget, corporate business plan,



- 1           corporate financials, pro forma statements, and other  
2           information required by the HI-impact administrator;  
3       (3) Secure a contract or purchase order from a customer  
4           company equal to or greater than ten per cent of the  
5           convertible debt loan;  
6       (4) Submit to the HI-impact administrator a technical  
7           budgeted plan of work to meet the customer's needs;  
8       (5) Include a justification letter of commitment from the  
9           customer company explaining how the business case will  
10          help the company and its commitment to purchase;  
11       (6) Sign a promissory note when the loan is made;  
12       (7) Execute agreements as required by the HI-impact  
13          administrator; and  
14       (8) Submit reports and updates of project progress and  
15          other required documents as required by the HI-impact  
16          administrator.  
17       (f) The HI-impact administrator shall submit an annual  
18          report to the legislature no later than twenty days prior to the  
19          convening of each regular session on the activities and  
20          expenditures of the loan program and the HI-impact special fund.



1       (g) The development corporation may adopt rules pursuant  
2 to chapter 91 necessary to carry out the purposes of this  
3 section.

4       §206M-B HI-impact special fund. (a) There is established  
5 in the treasury of the State of Hawaii the HI-impact special  
6 fund to be administered by the development corporation.

7       (b) The revenues of the special fund shall consist of loan  
8 repayments, fees, fines and penalties, legislative  
9 appropriations for the program or the special fund, and interest  
10 accrued upon the funds in the special fund.

11       (c) The special fund shall be used to make loans to  
12 support Hawaii-based small businesses in the fields of dual-use  
13 technologies, tourism-technology, agriculture-technology, ocean  
14 recreational-technology, finance-technology, building and  
15 construction-technology, life science-technology, biomedical  
16 engineering-technology, aerospace-technology, and other cross-  
17 industry collaborations, excluding energy generation technology;  
18 provided that no more than fifteen per cent of the moneys may be  
19 expended for administration and program oversight of the program  
20 awardees; provided further that funds received from loan



1 operations shall be used in accordance with this section and  
2 section 206M-A."

3 SECTION 3. There is appropriated out of the general  
4 revenues of the State of Hawaii the sum of \$ or so much  
5 thereof as may be necessary for fiscal year 2017-2018 and the  
6 same sum or so much thereof as may be necessary for fiscal year  
7 2018-2019 for deposit into the HI-impact special fund.

8 SECTION 4. There is appropriated out of the HI-impact  
9 special fund the sum of \$ or so much thereof as may be  
10 necessary for fiscal year 2017-2018 and the same sum or so much  
11 thereof as may be necessary for fiscal year 2018-2019 for the  
12 purposes of this Act.

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

15 SECTION 5. In codifying the new sections added by section  
16 2 of this Act, the revisor of statutes shall substitute  
17 appropriate section numbers for the letters used in designating  
18 the new sections in this Act.

19 SECTION 6. New statutory material is underscored.

20 SECTION 7. This Act shall take effect on July 1, 2038.





**Report Title:**

High Technology Development Corporation; Impact Loan Fund for Hawaii; HI-impact Loan Program; Appropriation

**Description:**

Establishes the impact loan fund for Hawaii (HI-impact loan program) in the High Technology Development Corporation to support dual-use technology small businesses. Establishes the HI-impact special fund. Appropriates funds. Effective July 1, 2038. (HB1449 HD1)

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

