

JAN 22 2016

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 in the
5 past 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 move Hawaii's technology industry to achieve
10 local technology commercialization. Innovation in science and
11 technology fields will not only enable the State to succeed in
12 the global marketplace, but will also support the State's
13 sustainable economic development goals to include a viable and
14 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, known as the Hawaii high impact



1 loan program for commercialization (HI-impact) to support
2 Hawaii-based small businesses in the fields of dual-use
3 technologies, tourism-technology, agriculture-technology,
4 manufacturing technology, sports-technology, finance-technology,
5 building and construction-technology, and other cross-industry
6 collaborations (excluding energy) with Hawaii's technology
7 sector.

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

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

21 (b) The purposes of the program shall be to:



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

4 (2) Provide capital to support accelerated
5 commercialization activities in the fields of dual-use
6 technologies, tourism-technology, agriculture-
7 technology, manufacturing-technology, sports-
8 technology, finance-technology, building and
9 construction-technology, and other cross-industry
10 collaborations (excluding energy generation
11 technology);

12 (3) Provide capital to sustain high-potential business
13 infrastructure development to assist the enterprise
14 towards commercial success;

15 (4) Promote high-quality, high-income job opportunities
16 for Hawaii's residents and graduates of Hawaii's
17 educational institutions;

18 (5) Reverse the loss of qualified workers to other states
19 by providing jobs to retain existing Hawaii technology
20 employees and enable highly qualified scientists and
21 engineers to return to living-wage jobs in Hawaii; and



1 (6) Keep high technology companies doing business in
2 Hawaii by limiting the need to seek out-of-state
3 venture capital, which dilutes local ownership and
4 increases the probability of moving high potential
5 technology companies from Hawaii.

6 (c) The board may hire an administrator for the HI-impact
7 loan program, who shall be known as the HI-impact administrator.
8 The board may set the salary for the HI-impact administrator.
9 The HI-impact administrator position shall be exempt from
10 chapter 76.

11 (d) The development corporation shall model the loan
12 program after the Maryland technology development corporation
13 technology commercialization fund by, among other things:

14 (1) Providing funding in two distinct investments,
15 specifically:

16 (A) A first investment of up to \$100,000 to provide
17 funds for critical product development that
18 enables business to achieve significant product
19 development and technical milestones; and

20 (B) A second investment of up to \$125,000, subject to
21 a concurrent third-party investment and approval



1 by the high technology development corporation,
2 to support further product development and to
3 prepare the business for later-stage investments
4 or product launch and revenue generation;

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

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

10 (B) The business is pre-revenue or has received less
11 than an aggregate of \$500,000 in equity
12 investments; and

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

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

16 (1) Submit qualified proposals to the HI-impact
17 administrator for funding in accordance with program
18 requirements specified by the department of business,
19 economic development, and tourism; provided that a
20 majority of the work under the award shall be
21 performed in the State;



- 1 (2) Submit to the HI-impact administrator a
2 commercialization budget, corporate business plan,
3 purchase orders or letters of commitment for product
4 sales, and a statement of commitment to pay interest
5 to the State and repay the total amount of principal
6 loaned under the HI-impact loan program for
7 commercialization based upon parameters set by the
8 department of business, economic development, and
9 tourism;
- 10 (3) Execute agreements in accordance with the HI-impact
11 administrator; and
- 12 (4) Submit reports and updates of project progress and
13 other required documents in accordance with HI-impact
14 administrator requirements.
- 15 (f) The HI-impact administrator shall submit an annual
16 report to the legislature no later than twenty days prior to
17 each regular session on the activities and expenditures of the
18 loan program and the high impact loan program for
19 commercialization special fund.
- 20 \$206M-B Hawaii high impact loan program for
21 commercialization; special fund. (a) There is established in



1 the treasury of the State the Hawaii high impact loan program
2 for commercialization special fund to be administered by the
3 development corporation.

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

8 (c) The special fund shall be used to make loans to
9 support Hawaii-based small businesses in the fields of dual-use
10 technologies, tourism-technology, agriculture-technology,
11 manufacturing-technology, sports-technology, finance-technology,
12 building and construction-technology, and other cross-industry
13 collaborations (excluding energy generation technology);
14 provided that no more than fifteen per cent of the moneys may be
15 expended for administration and program oversight of the program
16 awardees; provided further that funds received from loan
17 operations shall be used in accordance with this section and
18 section 206M-A."

19 SECTION 3. There is appropriated out of the general
20 revenues of the State of Hawaii the sum of \$ or so much
21 thereof as may be necessary for fiscal year 2016-2017 for



1 deposit into the Hawaii high impact loan program for
2 commercialization special fund.

3 SECTION 4. There is appropriated out of the Hawaii high
4 impact loan program for commercialization special fund the sum
5 of \$ or so much thereof as may be necessary for fiscal
6 year 2016-2017 for the purposes of this Act.

7 The sum appropriated shall be expended by the high
8 technology development corporation for the purposes of this Act.

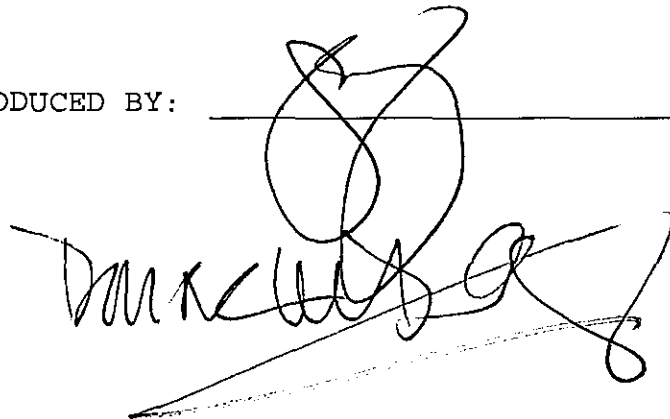
9 SECTION 5. In codifying the new sections added by section
10 2 of this Act, the revisor of statutes shall substitute
11 appropriate section numbers for the letters used in designating
12 the new sections in this Act.

13 SECTION 6. New statutory material is underscored.

14 SECTION 7. This Act shall take effect on July 1, 2016.

15

INTRODUCED BY: _____

A large, stylized handwritten signature in black ink, written over a horizontal line. The signature is highly cursive and appears to be the name of the sponsor.

S.B. NO. 2904

Report Title:

HTDC; Loan Program

Description:

Establishes a loan program in the HTDC to support high-technology small businesses. Appropriate funds.

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

