
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 211F, 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 "§211F-A Impact loan fund for Hawaii; HI-impact loan
12 program; established. (a) There is established within the
13 corporation, the impact loan fund for Hawaii, to be also known
14 as the HI-impact loan program, to support Hawaii-based small
15 businesses in the fields of dual-use technologies, tourism-
16 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 toward 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 corporation may model the HI-impact loan program
16 after the Maryland technology development corporation technology
17 commercialization fund, which became the seed funding program.
18 The HI-impact loan program's responsibilities may include but
19 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 corporation for
16 funding in accordance with program requirements
17 specified by the corporation; provided that a majority
18 of the work under the award shall be performed in the
19 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) Provide sufficient proof, as determined by the
- 12 president, of a \$1 match of private funds for every \$2
- 13 of the loan amount to be received through the program;
- 14 (7) Sign a promissory note when the loan is made;
- 15 (8) Execute agreements as required by the HI-impact
- 16 administrator; and
- 17 (9) Submit reports and updates of project progress and
- 18 other required documents as required by the HI-impact
- 19 administrator.
- 20 (f) The HI-impact administrator shall submit an annual
- 21 report to the legislature no later than twenty days prior to the



1 convening of each regular session on the activities and
2 expenditures of the loan program and the HI-impact special fund.

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

5 §211F-B HI-impact special fund. (a) There is established
6 in the treasury of the State of Hawaii the HI-impact special
7 fund to be administered by the corporation.

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

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



1 operations shall be used in accordance with this section and
2 section 211F-A."

3 SECTION 3. There is appropriated out of the general
4 revenues of the State of Hawaii the sum of \$ or so
5 much thereof as may be necessary for fiscal year 2017-2018 and
6 the same sum or so much thereof as may be necessary for fiscal
7 year 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 Hawaii
14 strategic 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:

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

Description:

Establishes the impact loan fund for Hawaii, to be known as the HI-impact loan program, in the Hawaii Strategic Development Corporation to support dual-use technology small businesses. Establishes the HI-impact special fund. Appropriates funds. Effective July 1, 2038. (SD1)

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