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## A BILL FOR AN ACT

RELATING TO THE HAWAII TECHNOLOGY DEVELOPMENT CORPORATION.

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

1 SECTION 1. The legislature finds that the Hawaii  
2 technology development corporation is advancing economic  
3 diversification and strengthening the innovation economy by  
4 supporting more than sixty-five small businesses, catalyzing the  
5 creation of high-wage jobs, and fostering new research and  
6 development in emerging sectors. The legislature further finds  
7 that the small business innovation research program has  
8 demonstrated measurable success, rising in national ranking from  
9 ninth place in 2012 to 2014 to sixth place in 2022 to 2024 in  
10 the country for small business innovation research funding per  
11 \$1,000,000 gross domestic product. This shows a significant  
12 economic return on investment. In 2024, the twenty-seven Hawaii  
13 companies that received a total of \$2,500,000 in state funds  
14 leveraged approximately \$33,000,000 in federal awards.

15 The legislature also finds that the high cost of living in  
16 Hawaii necessitates the creation of higher-salary jobs in fields  
17 such as artificial intelligence, computer software,



1 biotechnology, ocean science, renewable energy, nanotechnology,  
2 medical testing and devices, aerospace, and defense.

3 The legislature finds that states underserved by  
4 venture-capital markets, including Hawaii, benefit  
5 disproportionately from the federal Small Business Innovation  
6 Research and Small Business Technology Transfer programs, which  
7 help build regional innovation ecosystems. A 2026 review by the  
8 National Academies of Sciences, Engineering, and Medicine  
9 concluded that these programs generate strong returns by  
10 enabling participating firms to attract significant additional  
11 federal research and development funding, serving as key entry  
12 points into the defense innovation ecosystem, and supporting  
13 higher rates of patenting, follow-on financing, and successful  
14 technology transition—particularly for firms receiving multiple  
15 awards. The review further found that companies receiving state  
16 matching support are more likely to secure federal contracts,  
17 generate intellectual property, and contribute to national  
18 security capabilities.

19 The legislature notes that Hawaii's strategic Indo-Pacific  
20 location, together with the presence of federal facilities,  
21 military installations, and research institutions, presents



1 exceptional opportunities for Hawaii-based companies to  
2 contribute to defense and dual-use technology development. The  
3 federal competitive review process already provides rigorous  
4 technical and business evaluation, and additional state-level  
5 review would impose unnecessary administrative burden and delay  
6 time-sensitive innovation.

7 Accordingly, the purpose of this Act is to promote economic  
8 diversification by:

- 9 (1) Requiring the Hawaii technology development  
10 corporation to establish the small business innovation  
11 research matching program;
- 12 (2) Requiring the Hawaii technology development  
13 corporation to establish a science, technology,  
14 engineering, and mathematics education outreach  
15 program in collaboration with the department of  
16 education;
- 17 (3) Requiring the Hawaii technology development  
18 corporation to develop an economic diversification  
19 strategic plan for the State; and
- 20 (4) Appropriating funds.



1 SECTION 2. Chapter 206M, Hawaii Revised Statutes, is  
2 amended by adding a new section to part I to be appropriately  
3 designated and to read as follows:

4 **"S206M- Small business innovation research matching**

5 **program.** (a) There is established within the development  
6 corporation the small business innovation research matching  
7 program to provide matching grants to companies based in the  
8 State that have received federal small business innovation  
9 research or small business technology transfer awards.

10 (b) Any company with a principal place of business in the  
11 State that has received a federal phase I or phase II small  
12 business innovation research and small business technology  
13 transfer awards from any federal agency shall be eligible for  
14 state matching funds under this section without additional state  
15 technical or business review. Receipt of a federal small  
16 business innovation research and small business technology  
17 transfer award shall constitute sufficient evidence of technical  
18 and business merit.

19 (c) New small business innovation research and small  
20 business technology transfer participants and companies with



1 demonstrated track records in the programs shall be eligible for  
2 matching funds under this section.

3 (d) State matching funds shall equal fifty per cent of the  
4 federal small business innovation research and small business  
5 technology transfer award amount.

6 (e) Companies shall submit a simple application to the  
7 corporation within ninety days of receiving a federal small  
8 business innovation research and small business technology  
9 transfer award notification, including:

10 (1) A copy of federal award notice;  
11 (2) Documentation of principal place of business operating  
12 in the State;

13 (3) A brief description of how state matching funds will  
14 be used to advance the project; and

15 (4) Acknowledgment of annual reporting requirements.

16 (f) The development corporation shall approve or deny  
17 applications within thirty days of receipt. Companies meeting  
18 eligibility requirements in subsection (b) shall be  
19 automatically approved unless insufficient funds remain.

20 (g) The development corporation shall establish an annual  
21 application period for matching fund requests. If applications



1    for matching funds exceed available appropriations, the  
2    development corporation shall distribute funds as follows:

3        (1) All eligible applications received within the  
4        application period shall be considered together;  
5        (2) If total requested matching funds exceed available  
6        funds, the corporation shall distribute available  
7        funds on a pro-rata basis to all eligible applicants,  
8        calculated proportionally based on each applicant's  
9        requested matching amount relative to the total  
10      requested matching funds; and  
11      (3) Any funds remaining unallocated at the end of the  
12      fiscal year may carry forward to the next fiscal year,  
13      subject to any constitutional limitations and  
14      applicable appropriation laws.

15      (h) The development corporation shall establish a science,  
16      technology, engineering, and mathematics education outreach  
17      program in collaboration with the department of education to  
18      promote science, technology, engineering, and mathematics  
19      education and career awareness. Under this program:

20        (1) Each company receiving matching funds pursuant to this  
21        section shall deliver a minimum of two presentations



1                   to public school students within one year of receiving  
2                   matching funds;

3               (2)   Presentations shall showcase innovation and technology  
4                   development occurring in the State, describe career  
5                   pathways in science and technology fields, and  
6                   encourage students to pursue science, technology,  
7                   engineering, and mathematics education and careers;  
8                   and

9               (3)   The development corporation shall coordinate with the  
10                   department of education to schedule presentations and  
11                   identify appropriate grade levels and schools, with  
12                   priority given to schools in underserved communities.

13               (i)   The development corporation shall track and report  
14                   annually to the legislature no later than twenty days prior to  
15                   the convening of each regular session on:

16               (1)   The total state matching funds provided and total  
17                   federal small business innovation research and small  
18                   business technology transfer awards leveraged;

19               (2)   The number of applications received, approved, and  
20                   denied, including reasons for denial;

21               (3)   The average time from application to approval;



- 1        (4) Distribution of awards by company;
- 2        (5) Any instances where insufficient funds required  
3                    equitable distribution measures under subsection (g);
- 4        (6) Follow-on federal research and development contracts  
5                    and procurement awards received by supported  
6                    companies;
- 7        (7) Number of phase I to phase II transitions;
- 8        (8) Patents filed and awarded;
- 9        (9) Private sector investment attracted;
- 10      (10) Jobs created and retained in the State, including the  
11                    number of jobs and salary ranges reported in the  
12                    following bands:
  - 13        (A) under \$50,000;
  - 14        (B) \$50,000 to \$79,999;
  - 15        (C) \$80,000 to \$99,999;
  - 16        (D) \$100,000 to \$124,999;
  - 17        (E) \$125,000 to \$149,999;
  - 18        (F) \$150,000 to \$199,999; and
  - 19        (G) \$200,000 or more;
- 20      (11) Technologies transitioned into defense or commercial  
21                    use;



- 1        (12) Partnerships established with defense prime
- 2        contractors and federal facilities;
- 3        (13) Geographic distribution of supported companies across
- 4        all counties;
- 5        (14) Total payroll dollars generated by supported companies
- 6        in the State;
- 7        (15) Company revenue growth, including total annual
- 8        revenues and percentage change from prior year;
- 9        (16) Number of science, technology, engineering, and
- 10       mathematics education presentations delivered to
- 11       public school students pursuant to subsection (h),
- 12       including the number of schools reached, students
- 13       engaged, and grade levels served;
- 14       (17) Technology sector and industry classification of
- 15       supported companies; and
- 16       (18) Return on investment ratio, calculated as total
- 17       federal funding secured per state dollar invested."

18       SECTION 3. (a) The Hawaii technology development  
19       corporation shall develop an economic diversification strategic  
20       plan for the State. The economic diversification strategic plan  
21       shall include:



- (1) Clear goals and objectives;
- (2) Measurable outcomes and performance indicators; and
- (3) Recommended timelines and actions to strengthen emerging industries and high-wage job sectors.

(b) The Hawaii technology development corporation shall submit the strategic plan and any proposed legislation to the legislature no later than twenty days prior to the convening of the regular session of 2027.

SECTION 4. There is appropriated out of the general

10 revenues of the State of Hawaii the sum of \$ or so  
11 much thereof as may be necessary for fiscal year 2026-2027 for  
12 economic diversification and defense ecosystem development  
13 pursuant to this Act, to be allocated as follows:

14 (1) \$ for the Hawaii technology development  
15 corporation to develop an economic diversification  
16 strategic plan pursuant to section 3 of this Act;  
17 (2) \$ for the Hawaii small business innovation  
18 research matching program established in section 2 of  
19 this Act;  
20 (3) \$ for the manufacturing assistance program,  
21 to help Hawaii-based manufacturers become globally



1 competitive and support the scale-up and transition of  
2 technologies developed under the federal small  
3 business innovation research and small business  
4 technology transfer programs into production; and

5 (4) \$ for commercialization and technology  
6 transition support, including:

7 (A) Accelerator and small business training programs  
8 to help develop companies that are solving large-  
9 scale problems in the community using innovative,  
10 advanced manufacturing, and technology-based  
11 solutions;

12 (B) Support for intellectual property protection,  
13 market research, and business development  
14 activities identified by the National Academies  
15 of Sciences, Engineering, and Medicine as  
16 critical success factors for small business  
17 innovation research and small business technology  
18 transfer commercialization;

19 (C) Facilitation of partnerships between Hawaii small  
20 business innovation research and small business  
21 technology transfer companies and defense prime



1 contractors, acquisition program offices, and  
2 research institutions to support technology  
3 transition; and

4 (D) Assistance in navigating federal procurement  
5 processes and transitioning technologies into  
6 programs of record.

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

9 SECTION 5. New statutory material is underscored.

10 SECTION 6. This Act shall take effect on July 1, 2026.

11

INTRODUCED BY:



JAN 28 2026



# H.B. NO. 2545

**Report Title:**

HTDC; Small Business Innovation Research Matching Program; STEM Education Outreach Program; Economic Diversification Strategic Plan; Appropriations

**Description:**

Requires the Hawaii Technology Development Corporation to establish the Small Business Innovation Research Matching Program. Requires the Hawaii Technology Development Corporation, in collaboration with the Department of Education, to establish a STEM education outreach program. Requires and appropriates funds for the Hawaii Technology Development Corporation to develop an economic diversification strategic plan. Appropriates funds for economic diversification and defense ecosystem development.

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

