
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 additionally finds that states underserved
4 by 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, under which recipients of funds from the
17 small business innovation research matching program
18 must deliver presentations to public school students;
- 19 (3) Requiring the Hawaii technology development
20 corporation to develop an economic diversification
21 strategic plan for the State; and



1 (4) Appropriating funds.

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

5 "§206M- Small business innovation research matching

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

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

20 (c) New small business innovation research and small
21 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 or small business
5 technology transfer award amount.

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

10 (1) A copy of the federal award notice;

11 (2) Documentation of the principal place of business
12 operating 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 funding, the development
2 corporation shall distribute funds as follows:

- 3 (1) All eligible applications received within the
4 application period shall be considered together;
- 5 (2) If the total requested matching funds exceed available
6 funds, the development corporation shall distribute
7 the available funds on a pro-rata basis to all
8 eligible applicants, calculated proportionally based
9 on each applicant's requested matching amount relative
10 to the total 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 on the small business innovation
15 research matching program no later than twenty days prior to the
16 convening of each regular session. Each report shall include:

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

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



- 1 (3) The average time from application to approval;
- 2 (4) Distribution of matching funds by company;
- 3 (5) Any instances where insufficient funds required
4 equitable distribution measures under subsection (g);
- 5 (6) Follow-on federal research and development contracts
6 and procurement awards received by matching fund
7 recipient companies;
- 8 (7) Number of phase I to phase II small business
9 innovation research or small business technology
10 transfer program award transitions;
- 11 (8) Number of patents filed by and awarded to matching
12 fund recipient companies;
- 13 (9) Private sector investment attracted due to the
14 program;
- 15 (10) Jobs created and retained in the State as a result of
16 the program, including the number of jobs and annual
17 salaries reported in the following ranges:
- 18 (A) Under \$50,000;
- 19 (B) \$50,000 to \$79,999;
- 20 (C) \$80,000 to \$99,999;
- 21 (D) \$100,000 to \$124,999;



- 1 (E) \$125,000 to \$149,999;
- 2 (F) \$150,000 to \$199,999; and
- 3 (G) \$200,000 or more;
- 4 (11) Technologies transitioned into defense or commercial
5 use;
- 6 (12) Partnerships established with defense prime
7 contractors and federal facilities;
- 8 (13) Geographic distribution of matching fund recipient
9 companies across all counties;
- 10 (14) Total payroll dollars generated by matching fund
11 recipient companies in the State;
- 12 (15) Revenue growth of matching fund recipient companies,
13 including total annual revenues and percentage change
14 from the prior year;
- 15 (16) Number of science, technology, engineering, and
16 mathematics education presentations delivered to
17 public school students pursuant to subsection (h),
18 including the number of schools reached, students
19 engaged, and grade levels served;
- 20 (17) Technology sector and industry classification of
21 matching fund recipient companies; and



1 (18) Return on investment ratio, calculated as total
2 federal funding secured per state dollar invested."

3 SECTION 3. (a) The Hawaii technology development
4 corporation shall develop an economic diversification strategic
5 plan for the State. The economic diversification strategic plan
6 shall include:

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

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

15 SECTION 4. There is appropriated out of the general
16 revenues of the State of Hawaii the sum of \$ or so
17 much thereof as may be necessary for fiscal year 2026-2027 for
18 economic diversification and defense ecosystem development
19 pursuant to this Act, to be allocated as follows:



1 (1) \$ for the implementation and operation of
2 the small business innovation research matching
3 program established in section 2 of this Act;

4 (2) \$ for the Hawaii technology development
5 corporation to develop an economic diversification
6 strategic plan pursuant to section 3 of this Act;

7 (3) \$ for the manufacturing assistance program,
8 to help Hawaii-based manufacturers become globally
9 competitive and support the scale-up and transition of
10 technologies developed under the federal small
11 business innovation research and small business
12 technology transfer programs into production; and

13 (4) \$ for commercialization and technology
14 transition support, including:

15 (A) Accelerator and small business training programs
16 to help develop companies that are solving large-
17 scale problems in the community using innovative,
18 advanced manufacturing, and technology-based
19 solutions;

20 (B) Support for intellectual property protection,
21 market research, and business development



1 activities identified by the National Academies
2 of Sciences, Engineering, and Medicine as
3 critical success factors for small business
4 innovation research and small business technology
5 transfer commercialization;

6 (C) Facilitation of partnerships between small
7 business innovation research and small business
8 technology transfer awardee companies in Hawaii
9 and defense prime contractors, acquisition
10 program offices, and research institutions to
11 support technology transition; and

12 (D) Assistance in navigating federal procurement
13 processes and transitioning technologies into
14 programs of record.

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

17 SECTION 5. New statutory material is underscored.

18 SECTION 6. This Act shall take effect on July 1, 3000.



Report Title:

HTDC; DOE; Small Business Innovation Research Matching Program; STEM Education Outreach Program; Economic Diversification Strategic Plan; Reports; Appropriation

Description:

Requires the Hawaii Technology Development Corporation to establish the Small Business Innovation Research (SBIR) Matching Program. Requires the Hawaii Technology Development Corporation, in collaboration with the Department of Education, to establish a STEM education outreach program, under which recipients of funds from the SBIR Matching Program must deliver presentations to public school students. Requires and appropriates funds for the Hawaii Technology Development Corporation to develop an Economic Diversification Strategic Plan. Requires reports to the Legislature. Appropriates funds for economic diversification and defense ecosystem development. Effective 7/1/3000. (SD1)

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