

ACT 170

H.B. NO. 2319

A Bill for an Act Relating to Economic Development.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. The legislature finds that the State has a strong interest in diversifying its economy and promoting the development of innovative companies in the creative and high technology sectors and that programs to support innovative companies and attract investment capital to the State have been successful. For example, the recently completed follow-on funding program assisted Hawaii-based companies, such as Kuehnle AgroSystems, Inc. and Oceanit Laboratories, Inc., to successfully commercialize their innovations and attract global customers for their products. The Hawaii employees' retirement system has also successfully implemented a Hawaii-targeted investment program that mobilized \$25,000,000 of venture capital for Hawaii-based entrepreneurs.

The purpose of this Act is to build on the successful efforts to mobilize private sector venture capital for Hawaii-based small businesses, through the Hawaii venture capital investment programs of Hawaii's institutional investors and the Hawaii strategic development corporation, by establishing a venture accelerator funding program to provide business advisors, mentors, and resources to

enable Hawaii's technology entrepreneurs to successfully compete for investment capital.

SECTION 2. (a) Notwithstanding the requirements of chapter 42F, Hawaii Revised Statutes, there is established in the Hawaii strategic development corporation a venture accelerator funding program that:

- (1) Shall support organizations in Hawaii's leading economic sectors, including renewable energy, broadband, aerospace, film, digital media, and agriculture; and
- (2) Closely integrates entrepreneurial support and capital investment to develop technology in Hawaii.

(b) The purposes of the venture accelerator funding program are to:

- (1) Provide accelerated business development in the fields of information technology, aerospace, science, engineering, film production, and digital media by providing business advisors, mentors, and resources for technology development, transition, and commercialization, and to support the creation of Hawaii-based businesses that are able to successfully compete for venture capital investment;
- (2) Provide seed capital to sustain high-growth new venture company infrastructure development to assist enterprises to succeed commercially;
- (3) Promote high-quality, high-income job opportunities for Hawaii residents and the graduates of Hawaii's educational institutions; and
- (4) Reverse the "brain drain" by allowing talented entrepreneurs, scientists, and engineers to remain in or return to Hawaii with living-wage jobs.

(c) The Hawaii strategic development corporation shall contract with up to five organizations and provide program oversight; provided that selected organizations have demonstrated satisfactory performance outcomes in previous federally- or privately-funded technology and research projects or demonstrate their ability to satisfactorily manage a venture accelerator program and provide timely reports to document the venture accelerator's ability to achieve such performance benchmarks as:

- (1) Assisting companies in raising follow-on capital to accelerate the venture activity to two- to three-times greater returns on investment;
- (2) The ability to attract top talent in order to create and expand scalable technology based enterprises;
- (3) The ability to compete in the worldwide marketplace;
- (4) The selection of teams likely to benefit from the venture accelerator;
- (5) The retention of top talent in Hawaii following graduation from the venture accelerator funding program; and
- (6) The development of a meaningful experiential education for entrepreneurs.

(d) To receive funding, a Hawaii-based venture accelerator shall:

- (1) Submit proposals to the Hawaii strategic development corporation for funding in accordance with the seed capital assistance program requirements under part II of chapter 211F, Hawaii Revised Statutes; provided that a substantial portion of the work under the award shall be performed in the State;
- (2) Submit a budget based on parameters established by the corporation;

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- (3) Execute agreements in accordance with the corporation's contracting requirements;
- (4) Participate in community outreach efforts to support student participation in the fields of information technology, science, engineering, film production, and digital media; and
- (5) Submit quarterly and annual reports of project progress.
- (e) The Hawaii strategic development corporation shall submit a report to the legislature no later than twenty days prior to the regular session of 2013, and annually thereafter, on the specific annual outcome achieved through the activities and expenditures of the venture accelerator funding program.

SECTION 3. There is appropriated out of the general revenues of the State of Hawaii the sum of \$2,000,000 or so much thereof as may be necessary for fiscal year 2012-2013 as a grant pursuant to chapter 42F, Hawaii Revised Statutes, for the Hawaii strategic development corporation to establish a venture accelerator funding program to assist organizations that closely integrate entrepreneurial support and capital investment to effectively develop technology-based entrepreneurial commercialization outcomes in Hawaii; provided that up to \$250,000 shall be expended for project oversight of program awardees.

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

SECTION 4. This Act shall take effect on July 1, 2012.

(Approved June 27, 2012.)