

## ACT 216

H.B. NO. 1069

A Bill for an Act Relating to Technology.

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

SECTION 1. The legislature finds that the Hawaii small business innovation research program has successfully helped many Hawaii businesses win coveted federal funding through the federal small business innovation research program and has also helped many small businesses further develop their intellectual property. However, while successful, the current statute only authorizes the Hawaii small business innovation research program to provide grants for phase I (startup) awardees, and not those in phase II (prototyping) or phase III (commercialization). This hinders local businesses from fully commercializing their research and limits job creation and economic activity.

The legislature also finds that Hawaii companies that win federal small business innovation research funding should then be able to apply to the Hawaii small business innovation research program for small business innovation research phase II or phase III matching funds. Expanding the matching grant program will provide the necessary funding for Hawaii's high technology companies to break out of the research and development cycle and transform advanced research into innovative products, services, and companies. In particular, expanding the current matching funds program would permit Hawaii's high technology companies to successfully evolve from research and development only entities into commercially viable, globally competitive businesses.

The legislature further finds that expanding the current matching funds program would not only expand Hawaii's high technology industry, but would also bolster the State's effort to diversify and strengthen the local economy in anticipation of the next economic downturn. Expanding the current matching funds program will also serve to further the public interest in reducing "brain drain." The State has been losing too many of Hawaii's exceptional young people to other states and countries because of the limited number of high-growth, high-paying industries and jobs to keep them here or bring them back. In addition, many of the small business innovation research companies in Hawaii are also involved in dual-use work for the military, and as such, the expansion of the matching funds program will help bolster Hawaii's importance to the military and help keep the military invested in the State.

The purpose of this Act is to expand the Hawaii small business innovation research program to provide a match for phase II and phase III awardees to diversify Hawaii's economy, secure the investment of millions of federal dollars into the Hawaii economy, and provide a framework for young people to create their own high tech companies as part of the State's plan to establish an innovation economy in Hawaii.

SECTION 2. Section 206M-15, Hawaii Revised Statutes, is amended to read as follows:

**"§206M-15 High technology research and development loans and grants.**

(a) All moneys necessary to carry out the purposes of this section shall be allocated by the legislature through appropriations out of the state general fund. The development corporation shall include in its budgetary request for the upcoming fiscal period, the amounts necessary to effectuate the purposes of this section. All moneys, interest charges, and other fees collected by the development corporation under this section shall be deposited to the credit of the state general fund. In making any expenditure under this section, the development corporation shall analyze each funding request to determine whether the project to be undertaken will be economically viable and beneficial to the State.

(b) The development corporation may provide grants to any business in Hawaii that:

- (1) Receives a federal small business innovation research phase I, II, or III award or contract from any participating federal agency, up to fifty per cent of the amount of the federal award or contract;
- (2) Receives a federal small business technology transfer program award or contract from any participating federal agency, up to fifty per cent of the amount of the federal award or contract; or
- (3) Applies for a small business innovation research federal grant or a small business technology transfer program federal grant, in an amount not to exceed \$3,000,

subject to the availability of funds.

(c) The development corporation shall adopt rules pursuant to chapter 91 that:

- (1) Specify the qualifications for eligibility of grant applicants;
- (2) Establish priorities in determining eligibility in the event that insufficient funds are available to fund otherwise qualified applicants; and
- (3) Give preference to all qualified businesses receiving their first award in one fiscal year over multiple award grantees.

The development corporation may adopt any other rules pursuant to chapter 91 necessary for the purposes of this section.

~~[(d) If funds appropriated for the purpose of making grants under this section are inadequate to satisfy all qualified requests, the development corporation shall apply for funds to be transferred from the Hawaii capital loan revolving fund to provide the grants in accordance with subsection (b). The amount of any single transfer of funds shall not exceed \$100,000, and the development corporation shall transfer the entire amount back to the Hawaii capital loan revolving fund within twelve months of receiving the funds. No more than one fund transfer shall be outstanding at any one time. The director of business, economic development, and tourism may transfer funds from the Hawaii capital loan revolving fund to the development corporation upon request to carry out the purposes of this section. Transfers of funds shall be made without any charges or fees.]”~~

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 2015-2016 for the purposes of providing grants and loans for phases II and III awards.

The sum appropriated shall be expended by the department of business, economic development, and tourism for the purposes of this Act.

SECTION 4. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 5. This Act shall take effect on July 1, 2015.

(Approved July 7, 2015.)