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# A BILL FOR AN ACT

RELATING TO HIGH TECHNOLOGY.

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

1           SECTION 1. The legislature finds that, in 1989, the  
2 legislature created the Hawaii small business innovation  
3 research grant program under chapter 206M-15, Hawaii Revised  
4 Statutes. Prior to 1989, there were two Hawaii small business  
5 innovation research grant program-awarded companies, but since  
6 1989, fifty-six Hawaii companies have won two hundred forty-five  
7 small business innovation research grant program awards. These  
8 grant program awards brought approximately \$56,500,000 in  
9 federal small business innovation research grant program Phase I  
10 and Phase II funds to Hawaii. In addition to these grants,  
11 \$57,500,000 in Phase III small business innovation research  
12 grant program commercialization contracts have been awarded to  
13 Hawaii companies. According to the United States Department of  
14 Agriculture, Hawaii companies have won the highest number of  
15 United States Department of Agriculture small business  
16 innovation research grant program awards per capita of any  
17 state.



1 The legislature also finds that Hawaii's cumulative state  
2 investment in the Hawaii small business innovation research  
3 grant program of \$3,700,000 has a return ratio of 15:1 in  
4 federal Phase I and II grants and 30:1 if the Phase III  
5 commercial contracts are included.

6 The legislature further finds that, currently, the federal  
7 small business innovation research grant program is a  
8 \$2,000,000,000 program that encourages small businesses to  
9 develop commercially viable technologies or innovations.  
10 Organized as a competition, the federal small business  
11 innovation research grant program allows small companies the  
12 opportunity to test high-risk theories and develop innovative  
13 technologies.

14 To compete for small business innovation research grant  
15 program dollars, ten participating federal agencies issue  
16 scheduled program solicitations seeking research and development  
17 in their respective areas of interests, disciplines, and  
18 missions. Federal departments and agencies, such as the  
19 Departments of Agriculture, Commerce, Defense, Education,  
20 Energy, Health and Human Services, Transportation, and Homeland  
21 Security, the Environmental Protection Agency, National  
22 Aeronautics and Space Administration, and the National Science



1 Foundation, are required to reserve a portion of their research  
2 and development funds for small business innovation research  
3 grant programs.

4 With new infrastructure and projects dedicated to the  
5 development of Hawaii's biotechnology and life sciences  
6 industry, the high technology development corporation proposes  
7 to extend its existing small business innovation research grant  
8 program to include a small business technology transfer program  
9 to encourage small companies and researchers at nonprofit  
10 research institutions, including research universities and  
11 colleges, to work together to move laboratory-developed  
12 technologies to the marketplace and to foster technology-based  
13 economic development. The following five federal departments  
14 and agencies are required to reserve a portion of their research  
15 and development funds for the small business technology transfer  
16 program: the Departments of Defense, Energy, and Health and  
17 Human Services, the National Aeronautics and Space  
18 Administration, and the National Science Foundation. According  
19 to program requirements, a minimum of forty per cent of each  
20 small business technology transfer program project must be  
21 carried out by the small business, and a minimum of thirty per



1 cent of the effort must be performed by the research  
2 institution.

3 The legislature also finds that the high technology  
4 development corporation proposes to increase the number of new  
5 Hawaii technology companies applying for small business  
6 innovation research and small business technology transfer  
7 federal grant funds by expanding its existing Hawaii small  
8 business innovation research program to include Phase 0  
9 competition assistance grants. Phase 0 funds will be used to  
10 overcome obstacles faced by technology companies when developing  
11 competitive small business innovation research and small  
12 business technology transfer proposals. Typical obstacles may  
13 include:

- 14 (1) Determining whether a concept or idea is truly  
15 innovative;
- 16 (2) Determining whether laboratory research is  
17 appropriate; and
- 18 (3) Access to distant collaborators, including faculty,  
19 researchers, and scientific writers.

20 These Phase 0 competition assistance grants will be available to  
21 Hawaii companies developing a small business innovation research  
22 or small business technology transfer program grant proposal.



1 The results will facilitate more competitive proposals and  
2 assist Hawaii's growing high technology research and development  
3 niche.

4 The purpose of this Act is to:

- 5 (1) Exempt the high technology innovation corporation from  
6 chapters 36 and 38, Hawaii Revised Statutes, which  
7 relate to the management of state funds, deposits of  
8 public funds, and state audit and accounting,  
9 respectively; and
- 10 (2) Authorize the high technology innovation corporation  
11 to establish operational bank accounts in out-of-state  
12 locations, including foreign denomination accounts.

13 SECTION 2. Section 206M-15, Hawaii Revised Statutes, is  
14 amended by amending subsection (b) to read as follows:

15 "(b) The development corporation may provide grants [~~not~~  
16 ~~exceeding the lesser of:~~] as follows:

17 (1) Up to the lesser of:

18 (A) Fifty per cent of the federal small business  
19 innovation research phase I award or contract;  
20 [~~or~~]

21 (B) \$25,000 to each business in Hawaii that receives  
22 a federal small business innovation research



1 phase I award or contract from any participating  
2 federal agency[~~τ~~];

3 (2) Up to \$25,000 to each business in Hawaii that receives  
4 a federal small business technology transfer program  
5 award or contract from any participating federal  
6 agency; or

7 (3) Up to \$3,000 to each business in Hawaii that applies  
8 for a small business innovation research federal grant  
9 or small business technology transfer program federal  
10 grant,

11 subject to the availability of funds."

12 SECTION 3. Section 206M-53, Hawaii Revised Statutes, is  
13 amended to read as follows:

14 "[~~+~~]**\$206M-53**[~~+~~] **Powers of the board.** The high technology  
15 innovation corporation, under the direction of its board of  
16 directors, shall have the following general powers:

17 (1) To adopt, amend, and repeal bylaws governing the  
18 conduct of its business and the exercise of the powers  
19 and performance of duties granted to or imposed upon  
20 it by law;

21 (2) To sell, lease, rent, hold, maintain, use, and operate  
22 any property, real, personal, or mixed, tangible or

1 intangible, in accordance with the conditions under  
2 which it was received;

3 (3) To enter into and perform contracts, leases,  
4 cooperative agreements, or other transactions with the  
5 high technology development corporation or any other  
6 agency or political subdivision of the State, any  
7 private person, firm, partnership, association,  
8 company, or corporation, only as it may be necessary  
9 in the conduct of its business and on terms as it may  
10 deem appropriate; provided that the high technology  
11 innovation corporation shall not obligate any funds of  
12 the State except funds that have been appropriated to  
13 it by the legislature or transferred or contracted to  
14 it by the high technology development corporation or  
15 other agency or department of the state government.  
16 Notwithstanding the foregoing, the high technology  
17 innovation corporation may enter into and perform  
18 contracts, leases, cooperative agreements, or other  
19 transactions with any agency or instrumentality of the  
20 United States, a foreign nation, a state, a territory  
21 or a possession, or with any political subdivision  
22 thereof, whenever the donating or granting agency or

1 instrumentality determines that the high technology  
2 development corporation or any other agency of the  
3 State cannot as effectively and efficiently accomplish  
4 the purposes for which the contracts, leases,  
5 cooperative agreements, or other transactions are  
6 being entered into; provided that the high technology  
7 innovation corporation shall not obligate any funds of  
8 the State except funds that have been appropriated or  
9 transferred to it or contracted for it;

10 (4) To receive by gifts, grants, devises, bequests, or  
11 otherwise, from private sources only, any property,  
12 real, personal, or mixed, intangible or tangible,  
13 absolutely or in trust, to be used and disposed of,  
14 either the principal or the income therefrom, in  
15 accordance with the conditions under which it was  
16 received; provided that no gift to the high technology  
17 innovation corporation shall be accepted unless  
18 approved or confirmed by its board of directors.

19 Notwithstanding the foregoing, the high technology  
20 innovation corporation may receive gifts, grants, or  
21 awards from any agency or instrumentality of the  
22 United States, a foreign nation, a state, a territory





1 or a possession, or from any political subdivision  
2 thereof, whenever the donating or granting agency or  
3 instrumentality determines that the high technology  
4 development corporation or any other agency of the  
5 State cannot as effectively and efficiently accomplish  
6 the purposes for which the gifts, grants, or awards  
7 are being made; provided that no gift to the high  
8 technology innovation corporation shall be accepted  
9 unless approved or confirmed by its board of  
10 directors;

11 (5) To have a corporate seal;

12 (6) To sue and be sued in its own name;

13 (7) To serve as trustee or beneficiary under terms of any  
14 gift, indenture, or will;

15 (8) To apply for, take out, receive by purchase or gift,  
16 hold, administer, and dispose of copyrights, patent  
17 rights, licenses, assignments of inventions,  
18 discoveries, processes, and other property, rights or  
19 interests therein, and the income thereof, absolutely  
20 or subject to conditions or trusts as may be attached  
21 thereto or be imposed thereon, and to obligate itself



- 1 to perform and execute any and all conditions or  
2 trusts;
- 3 (9) To conduct programs, projects, research, studies,  
4 experiments, investigations, and tests in all fields  
5 of knowledge; to promote and develop the scientific  
6 and commercial value of inventions, discoveries, and  
7 processes; and to make, publish, and distribute the  
8 results thereof;
- 9 (10) To coordinate and correlate activities and projects of  
10 the high technology innovation corporation with the  
11 work of state agencies for the purpose of relating  
12 research work to the economic development of the State  
13 whenever practical or desirable;
- 14 (11) To stimulate and promote cooperative research projects  
15 and activities;
- 16 (12) To establish and maintain, or to assist in  
17 establishing and maintaining staff positions for the  
18 purpose of aiding in technology-based economic  
19 development, and to enter into agreements or contracts  
20 with other corporations, organizations, institutions,  
21 or persons for this purpose and to pay the necessary  
22 and appropriate expenses therefor;



1 (13) To prepare, print, or publish any manuscript, research  
 2 article, report, study, discussion, reference,  
 3 collection, or any pictorial or schematic  
 4 representation or group or collection thereof, whether  
 5 the same belongs to or is the work of any state agency  
 6 or its employees, or the high technology innovation  
 7 corporation or its employees or a contractor of the  
 8 high technology innovation corporation. The printing  
 9 or publication may be accomplished through whatever  
 10 person, company, or agency is deemed most appropriate  
 11 by the board of directors; [~~and~~]

12 (14) To establish operational bank accounts as may be  
 13 necessary in the conduct of its business at its out-  
 14 of-state offices, including accounts of foreign  
 15 denomination in out-of-state locations, without the  
 16 approval of the director of budget and finance or the  
 17 comptroller of accounting and general services; and

18 [~~(14)~~] (15) To do any or all other acts reasonably necessary  
 19 to carry out the objects and purposes of the high  
 20 technology innovation corporation."

21 SECTION 4. Section 206M-54, Hawaii Revised Statutes, is  
 22 amended to read as follows:

1           "~~[+]§206M-54[+]~~ **Innovation corporation; exempted from**  
2 **certain state laws.** [~~To carry out the purposes and objectives~~  
3 ~~of this part, the]~~ The high technology innovation corporation  
4 shall be [~~granted flexibility in hiring its personnel and in~~  
5 ~~handling and disbursing moneys by being]~~ exempt from the  
6 following state laws [~~in the Hawaii Revised Statutes:~~

7           ~~(1) Sections 36-27 and 36-30, relating to special fund~~  
8           ~~reimbursements to the state general fund;]~~

9           ~~[+2)]~~ (1) Section 78-1, relating to public employment;

10           ~~[and]~~

11           (2) Chapter 36, relating to the management of state funds;

12           (3) Chapter 38, relating to deposits of public funds; and

13           ~~[+3)]~~ (4) Chapter 76, relating to civil service."

14           SECTION 5. There is appropriated out of the general  
15 revenues of the State of Hawaii the sum of \$200,000 or so much  
16 thereof as may be necessary for fiscal year 2006-2007 to  
17 increase funding levels necessary to meet the current needs of  
18 the Hawaii small business innovation research assistance program  
19 and the proposed Hawaii small businesses technology transfer  
20 grant program and phase 0 competition assistance program.

21           The sum appropriated shall be expended by the high  
22 technology development corporation for the purposes of this Act.



1 SECTION 6. Statutory material to be repealed is bracketed  
2 and stricken. New statutory material is underscored.

3 SECTION 7. This Act shall take effect on July 1, 2006;  
4 provided that on June 30, 2011, section 3 of this Act shall be  
5 repealed and section 206M-53, Hawaii Revised Statutes, shall be  
6 reenacted in the form in which it read on the day before the  
7 effective date of this Act.



HB 3060

HD1

SD2

CD1

**Report Title:**

High Technology Development Corporation

**Description:**

Authorizes the High Technology Development Corporation to provide grants to certain local businesses that receive or apply for federal research grants or awards. Authorizes HTIC to establish out-of-state bank accounts. Exempts HTIC from chapter 36, HRS, and chapter 38, HRS. Appropriates funds to HTDC for certain research and technology programs. (HB3060 CD1)

