
A BILL FOR AN ACT

MAKING AN APPROPRIATION TO THE HIGH TECHNOLOGY DEVELOPMENT CORPORATION.

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

1 SECTION 1. In 1989, the legislature created the Hawaii
2 small business innovation research assistance program under
3 section 206M-15, Hawaii Revised Statutes. Prior to 1989, there
4 were only two fledgling Hawaii small businesses that received
5 federal small business innovation research awards. Since 1989,
6 fifty-six Hawaii companies have won two hundred forty-five small
7 business innovation research grants and have brought to Hawaii
8 approximately \$56,500,000 in federal small business innovation
9 research funds, plus \$57,500,000 in investments to commercialize
10 proven technologies.

11 The current annual general fund appropriation of
12 approximately \$260,000 has remained relatively the same over the
13 past sixteen years and actually decreased in some years from a
14 high of \$400,000. However, the increase in the number of
15 participating Hawaii companies and grants awarded has caused a
16 significant reduction in the amount of funding available from
17 the Hawaii small business innovation research assistance program



1 for recipients of the federal program to one-half or less than
2 the original amount intended by the legislature. Small business
3 innovation research-funded, start-up projects and companies are
4 an important part of the pipeline that feeds and increases the
5 size and number of research and development companies seeking to
6 commercialize technologies in Hawaii. This program and the
7 efforts of those involved result in a more stable
8 technology-based economy in the state.

9 Organized as a competition, the federal small business
10 innovation research program provides small companies with the
11 opportunity to test high-risk theories and develop innovative
12 technologies. In the federal small business innovation research
13 program's competitive funding process, ten participating federal
14 agencies issue program solicitations seeking research and
15 development in their respective areas of interests, disciplines,
16 and missions. These federal departments and agencies are
17 required to reserve a portion of their research and development
18 funds for small business innovative research that has the
19 potential for commercialization and public benefit.

20 Participating departments and agencies include: the United
21 States Departments of Agriculture, Commerce, Defense, Education,
22 Energy, Health and Human Services, Transportation, and Homeland



1 Security; the Environmental Protection Agency; the National
2 Aeronautics and Space Administration; and the National Science
3 Foundation. A few of the local technology companies and
4 recipients of both federal small business innovation research
5 assistance program and state small business innovation research
6 assistance program grants include: Hoku Scientific; Oceanit
7 Laboratories; Hoana Medical; High Health Aquaculture; 21st
8 Century Systems; Hawaii Biotech; Innovative Technical Solutions;
9 Akimeka, LLC; HawaiiWave High Speed Wireless Networks, LLC;
10 Orincon Hawaii; Kuehnle AgroSystems; W. T. Haraguchi Farm, Inc.;
11 and Referentia, Inc.

12 On the average, federal grant recipients are eligible to
13 receive up to \$100,000 for phase I and up to \$750,000 for phase
14 II, depending on the project proposal and federal agency. The
15 smaller one-time grants received through the Hawaii small
16 business innovation research assistance program allow local
17 Hawaii companies to more effectively compete with mainland
18 companies. New research, scientific, and general support jobs
19 are created as companies perfect their technology and proposal
20 submission for phase II awards. Although the immediate
21 objective is to solve problems and allow federal agencies to
22 accomplish their missions, the long-term objective for all small

1 business innovation research proposals is to commercialize
2 technologies for private and public benefit, thereby creating
3 attractive and sustainable jobs in the community.

4 Hawaii's cumulative state investment of \$3,700,000 has
5 returned significant benefits, making the Hawaii small business
6 innovation research assistance grant program a tremendously
7 worthwhile investment for the State. The ratio of federal funds
8 to state funds is fifteen to one, and the ratio of commercial
9 contracts to state funds is thirty to one. The ratios would be
10 much higher if adequate funding opportunities were available for
11 small businesses to pursue these federal grants, since many
12 small businesses already expend a great amount of their own
13 wealth and resources.

14 Today, small business innovation research is a
15 \$2,000,000,000 federal funding program that encourages small
16 businesses to develop commercially viable technologies or
17 innovations. According to the United States Department of
18 Agriculture, Hawaii companies have won the highest number of
19 United States Department of Agriculture small business
20 innovation research grants of any other state, per capita. This
21 is an excellent testament to the opportunities in Hawaii for



1 diversified agriculture, alternative crops, aquaculture,
2 biotechnology, and much more.

3 With new infrastructure and projects dedicated to the
4 development of Hawaii's biotechnology and life sciences
5 industry, the high technology development corporation has
6 proposed to extend its current small business innovation
7 research assistance program to include the federal small
8 business technology transfer program. This extension would
9 encourage small companies and researchers at nonprofit research
10 institutions, including research universities and colleges, to
11 work together as a team to move technologies developed in the
12 laboratory to the marketplace and to foster technology-based
13 economic development. The five federal departments and agencies
14 that are required to reserve a portion of their research and
15 development funds for small business technology transfer program
16 include the United States Departments of Defense, Energy, and
17 Health and Human Services; the National Aeronautics and Space
18 Administration; and the National Science Foundation.

19 In addition, the high technology development corporation
20 has proposed to increase the number of new Hawaii technology
21 companies applying for small business innovation research and
22 small business technology transfer program federal grants by

1 expanding its current Hawaii small business innovation research
2 assistance program to include phase 0 competition assistance
3 grants. Phase 0 funds will be used to overcome obstacles faced
4 by technology companies when applying for competitive small
5 business innovation research and small business technology
6 transfer proposal grants. Typical obstacles may include:

- 7 (1) Determining whether a concept or idea is truly
8 innovative;
- 9 (2) Appropriate laboratory research; and
- 10 (3) Access to and contact with distant collaborators,
11 including faculty, researchers, and scientific
12 writers.

13 These phase 0 competition assistance grants will be available to
14 Hawaii companies developing a small business innovation research
15 or small business technology transfer grant proposal. The
16 results will facilitate nationally competitive proposals and
17 assist Hawaii's growing high technology research and development
18 industry niche.

19 The purpose of this Act is to appropriate funds to the high
20 technology development corporation to increase funding levels
21 necessary to meet the current needs of:

- 1 (1) The Hawaii small business innovation research
- 2 assistance program;
- 3 (2) The proposed Hawaii small businesses technology
- 4 transfer grant program; and
- 5 (3) The phase 0 competition assistance program.

6 SECTION 2. There is appropriated out of the general
7 revenues of the State of Hawaii the sum of \$500,000 or so much
8 thereof as may be necessary for fiscal year 2006-2007 to fund
9 the Hawaii small business innovation research assistance
10 program, the small business technology transfer program, and the
11 phase 0 competition assistance program.

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

14 SECTION 3. This Act shall take effect on July 1, 2006.



Report Title:

High Technology Development Corporation; High Technology
Research; Appropriation

Description:

Appropriates funds to the high technology development
corporation for the small business innovation research grant
program, the small business technology transfer program, and the
phase 0 competition assistance Program. (SD1)

