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# A BILL FOR AN ACT

RELATING TO ECONOMIC DEVELOPMENT.

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

1           SECTION 1. The legislature finds that small business dual  
2 use technology companies in Hawaii are vital to a diversified,  
3 new economy for our state. These enterprises seek to advance  
4 innovative concepts and new approaches to technology while fully  
5 leveraging existing facilities and infrastructure in Hawaii.  
6 Small, innovative high technology companies are providing  
7 critical new technology for the United States Department of  
8 Defense and are creating sustainable job growth in living wage  
9 jobs in Hawaii. Poised at the earliest stages of product  
10 development, small business dual use companies need public  
11 financial support to move their concepts to the next level on  
12 the road to commercial success. Supplemental funding from the  
13 State would accelerate vital technology development and  
14 commercialization. In addition, this funding would sustain  
15 company infrastructure development and foster additional  
16 employment opportunities for talented Hawaii scientists and  
17 engineers, while reducing risk of failure or the need to move



1 these promising companies to the mainland to seek other funding  
2 opportunities.

3 The Hawaii Technology Development Venture and the National  
4 Defense Center of Excellence for Research in Ocean Sciences are  
5 programs that use the capabilities of Hawaii-based small  
6 businesses in performing high technology research and  
7 development related to current and future United States  
8 Departments of the Navy and of Defense programs. Both of these  
9 programs solicit proposals through annual competitive  
10 solicitations and all proposals are evaluated by an expert panel  
11 for technical merit, innovation, and value according to criteria  
12 published in the solicitations.

13 The legislature further finds that since 1989, sixty-three  
14 Hawaii companies have won two hundred sixty-two small business  
15 innovation research grant program awards. These grant awards  
16 brought approximately \$60,000,000 in federal small business  
17 innovation research grant program phase I and phase II funds to  
18 Hawaii. In addition, more than \$58,000,000 in phase III small  
19 business innovation research grant program commercialization  
20 contracts has been awarded to Hawaii companies. For every state  
21 dollar invested in the program, Hawaii companies attracted  
22 nearly \$15 in federal small business innovation research grant



1 funds or nearly \$30 for every state dollar invested when phase  
2 III funds are included.

3 The purpose of this Act is to build on these successes and  
4 establish a research and development follow-on funding program  
5 for Hawaii-based small businesses that received federal funding  
6 through the Hawaii Technology Development Venture or the  
7 National Defense Center of Excellence for Research in Ocean  
8 Sciences.

9 SECTION 2. (a) Notwithstanding the requirements of  
10 chapter 42F, Hawaii Revised Statutes, there is established in  
11 the Hawaii strategic development corporation a research and  
12 development follow-on funding program for Hawaii-based small  
13 businesses that received federal funding through the Hawaii  
14 Technology Development Venture or the National Defense Center of  
15 Excellence for Research in Ocean Sciences.

16 The purpose of these awards shall be to:

17 (1) Provide accelerated economic development in the fields  
18 of science and engineering of defense-related dual use  
19 technology by providing follow-on funding to  
20 successful research and development projects for  
21 technology development, transition, and  
22 commercialization;



- 1           (2) Provide capital to sustain high growth new venture  
2           company infrastructure development to assist the  
3           enterprise toward commercial success;
- 4           (3) Promote high quality, high-income job opportunities  
5           for Hawaii's residents and graduates of Hawaii's  
6           educational institutions;
- 7           (4) Reverse the "brain drain" by allowing talented  
8           scientists and engineers to return home to living wage  
9           jobs in Hawaii; and
- 10          (5) Keep the high technology companies in Hawaii by  
11          limiting the need to seek out-of-state venture  
12          capital, which dilutes local ownership.
- 13          (b) The corporation shall administer the research and  
14          development follow-on funding program. The Hawaii Technology  
15          Development Venture and the National Defense Center of  
16          Excellence for Research in Ocean Sciences shall subcontract with  
17          selected companies and provide program oversight.
- 18          (c) To receive funding, a Hawaii-based company shall:
- 19          (1) Show satisfactory performance in any projects funded  
20          through the Hawaii Technology Development Venture or  
21          the National Defense Center of Excellence for Research  
22          in Ocean Sciences;



1           (2)    Submit proposals to the Hawaii Technology Development  
2                    Venture or the National Defense Center of Excellence  
3                    for Research in Ocean Sciences for follow-on funding  
4                    in accordance with the respective program  
5                    requirements; provided that a substantial portion of  
6                    the work under the award shall be performed in the  
7                    state;

8           (3)    Submit a budget based on parameters set forth by the  
9                    Hawaii Technology Development Venture or the National  
10                   Defense Center of Excellence for Research in Ocean  
11                   Sciences;

12          (4)    Execute agreements in accordance with existing Hawaii  
13                   Technology Development Venture or the National Defense  
14                   Center of Excellence for Research in Ocean Sciences  
15                   contracting requirements; and

16          (5)    Submit reporting of project progress in accordance  
17                   with existing Hawaii Technology Development Venture or  
18                   National Defense Center of Excellence for Research in  
19                   Ocean Sciences requirements.

20          (d)    Moneys for the follow-on funding program shall be  
21                   allocated as follows:



- 1           (1) Hawaii Technology Development Venture:
  - 2                   (A) For fiscal year 2007-2008, \$                   shall be
  - 3                               expended for research and development follow-on
  - 4                               funding awards; and
  - 5                   (B) For fiscal year 2008-2009, \$                   shall be
  - 6                               expended for research and development follow-on
  - 7                               funding awards;
  - 8                   provided that in each fiscal year, \$500,000 shall be
  - 9                               expended for project oversight of program awardees,
  - 10                              and technical and business support services to
  - 11                              awardees of both Hawaii Technology Development Venture
  - 12                              and National Defense Center of Excellence for Research
  - 13                              in Ocean Sciences; and
- 14           (2) National Defense Center of Excellence for Research in
- 15                   Ocean Sciences:
  - 16                           (A) For fiscal year 2007-2008, \$                   shall be
  - 17                                       expended for research and development follow-on
  - 18                                       funding awards; and
  - 19                           (B) For fiscal year 2008-2009, \$                   shall be
  - 20                                       expended for research and development follow-on
  - 21                                       funding awards;

1 provided that in each fiscal year, \$200,000 shall be  
2 expended for project oversight of program awardees.

3 (e) The Hawaii Technology Development Venture and the  
4 National Defense Center of Excellence for Research in Ocean  
5 Sciences department shall submit reports to the corporation no  
6 later than sixty days prior to the regular session of 2008, and  
7 annually thereafter until all moneys have been expended, on the  
8 activities and expenditures of the follow-on funding program.

9 The corporation shall submit the reports of the Hawaii  
10 Technology Development Venture and the National Defense Center  
11 of Excellence for Research in Ocean Sciences to the legislature  
12 no later than twenty days prior to the regular session of 2008,  
13 and annually thereafter until all grant moneys have been  
14 expended on the activities and expenditures of the follow-on  
15 funding program.

16 SECTION 3. There is appropriated out of the general  
17 revenues of the State of Hawaii the sum of \$ , or so  
18 much thereof as may be necessary for fiscal year 2007-2008, and  
19 the sum of \$ , or so much thereof as may be necessary  
20 for fiscal year 2008-2009, for a research and development  
21 follow-on funding program for Hawaii-based small businesses that  
22 received federal funding through the Hawaii Technology

1 Development Venture or the National Defense Center of Excellence  
2 for Research in Ocean Sciences; provided that the moneys shall  
3 be allocated pursuant to subsection (d) of section 2 of this  
4 Act.

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

7 SECTION 4. This Act shall take effect on July 1, 2034.





**Report Title:**

Economic Development; Technology Funds; Dual Use Companies

**Description:**

Establishes a research and development follow-on funding program for Hawaii-based small businesses that received federal funding through the Hawaii Technology Development Venture or the National Defense Center of Excellence for Research in Ocean Sciences. Appropriates an unspecified amount to the Hawaii Strategic Development Corporation. (SB1688 HD1)

