

JAN 24 2007

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 of Hawaii would accelerate vital technology development
14 and 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 in order to seek other
2 funding opportunities.

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

13 The purpose of this Act is to establish a supplemental
14 grant program of \$10,000,000 for follow-on research and
15 development project funding for Hawaii-based small businesses
16 that received federal funding in fiscal year 2007 through the
17 Hawaii Technology Development Venture or the National Defense
18 Center of Excellence for Research in Ocean Sciences.

19 SECTION 2. (a) Notwithstanding the requirements of
20 chapter 42F, Hawaii Revised Statutes, there is established in
21 the department of business, economic development, and tourism a
22 research and development follow-on funding grant program for



1 Hawaii-based small businesses that received federal funding in
2 fiscal year 2007 through the Hawaii Technology Development
3 Venture or the National Defense Center of Excellence for
4 Research in Ocean Sciences.

5 The purpose of these grants shall be to:

- 6 (1) Provide accelerated economic development in the fields
7 of science and engineering of defense related dual use
8 technology by providing follow-on funding to
9 successful research and development projects;
- 10 (2) Provide capital to sustain high growth new venture
11 company infrastructure development to assist the
12 enterprise toward commercial success;
- 13 (3) Promote high quality, high income job opportunities
14 for Hawaii's residents and graduates of Hawaii's
15 educational institutions;
- 16 (4) Reverse the brain drain by allowing talented
17 scientists and engineers to return home to living wage
18 jobs in Hawaii; and
- 19 (5) Keep the high technology companies in Hawaii by
20 limiting the need to seek out-of-state venture
21 capital, which dilutes local ownership.



1 (b) The department shall administer the research and
2 development grants program, with the assistance of the Hawaii
3 Technology Development Venture and the National Defense Center
4 of Excellence for Research in Ocean Sciences, which shall
5 provide funded projects with technical and business support.

6 (c) To receive funding, a Hawaii-based company shall:

- 7 (1) Show satisfactory performance in any projects funded
8 in fiscal year 2007 through the Hawaii Technology
9 Development Venture or the National Defense Center of
10 Excellence for Research in Ocean Sciences;
- 11 (2) Submit proposals to the Hawaii Technology Development
12 Venture or the National Defense Center of Excellence
13 for Research in Ocean Sciences for follow-on funding
14 in accordance with existing federal requirements;
- 15 (3) Submit a budget based on a cost plus fee basis with
16 the fee or profit not to exceed seven per cent;
- 17 (4) Submit reporting of project progress in accordance
18 with existing Hawaii Technology Development Venture or
19 National Defense Center of Excellence for Research in
20 Ocean Sciences requirements; and
- 21 (5) Cap fund administration costs at three per cent of the
22 supplemental fund grant.



1 (d) Funds shall be allocated between the Hawaii Technology
2 Development Venture and National Defense Center of Excellence
3 for Research in Ocean Sciences based of the percentage of
4 dollars the organizations funded to companies in fiscal
5 year 2007.

6 (e) The department shall submit a report to the
7 legislature no later than twenty days prior to the regular
8 session of 2008, and annually thereafter until all grant moneys
9 have been expended, on the activities and expenditures of the
10 grant program.

11 SECTION 3. There is appropriated out of the general
12 revenues of the State of Hawaii the sum of \$10,000,000, or so
13 much thereof as may be necessary for fiscal year 2007-2008, for
14 a research and development follow-on funding grant program for
15 Hawaii-based small businesses that received federal funding in
16 fiscal year 2007 through the Hawaii Technology Development
17 Venture or the National Defense Center of Excellence for
18 Research in Ocean Sciences.

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



1 SECTION 4. This Act shall take effect on July 1, 2007.

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Report Title:

Economic Development; Technology Grants

Description:

Establishes a supplemental grant program of \$10,000,000 for follow-on research and development project funding for Hawaii-based small businesses that received federal funding in fiscal year 2007 through the Hawaii Technology Development Venture or the National Defense Center of Excellence for Research in Ocean Sciences.

