
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 Hawaii Technology Development Venture and the National
4 Defense Center of Excellence for Research in Ocean Sciences are
5 programs that utilize 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:

22 (1) Hawaii Technology Development Venture:



1 (A) For fiscal year 2007-2008, \$ shall be
2 expended for research and development follow-on
3 funding awards; and

4 (B) For fiscal year 2008-2009, \$ shall be
5 expended for research and development follow-on
6 funding awards;

7 provided that in each fiscal year, \$500,000 shall be
8 expended for project oversight of program awardees,
9 and technical and business support services to
10 awardees of both Hawaii Technology Development Venture
11 and National Defense Center of Excellence for Research
12 in Ocean Sciences; and

13 (2) National Defense Center of Excellence for Research in
14 Ocean Sciences:

15 (A) For fiscal year 2007-2008, \$ shall be
16 expended for research and development follow-on
17 funding awards; and

18 (B) For fiscal year 2008-2009, \$ shall be
19 expended for research and development follow-on
20 funding awards;

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



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

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

14 SECTION 3. There is appropriated out of the general
 15 revenues of the State of Hawaii the sum of \$, or so
 16 much thereof as may be necessary for fiscal year 2007-2008, and
 17 the sum of \$, or so much thereof as may be necessary
 18 for fiscal year 2008-2009, for a research and development
 19 follow-on funding program for Hawaii-based small businesses that
 20 received federal funding through the Hawaii Technology
 21 Development Venture or the National Defense Center of Excellence
 22 for Research in Ocean Sciences; provided that the moneys shall



1 be allocated pursuant to subsection (d) of section 2 of this
2 Act.

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

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



Report Title:

Economic Development; Technology Funds

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. (SD1)

