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# A BILL FOR AN ACT

RELATING TO INNOVATION BUSINESS INTERACTION.

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

1           SECTION 1. The legislature finds that to be successful in  
2 the twenty-first century global economy, Hawaii must position  
3 itself as a leader in technology development, transfer, and  
4 commercialization. Significant progress has been made in the  
5 past years through programs supported by federal and state  
6 initiatives, such as programs administered by the high  
7 technology development corporation, Hawaii strategic development  
8 corporation, and the Hawaii technology development venture, but  
9 more is required to move Hawaii's technology industry to achieve  
10 local technology commercialization. Innovation in science and  
11 technology fields will not only enable the State to succeed in  
12 the global marketplace, but will also support the State's  
13 sustainable economic development goals to include a viable and  
14 vibrant technology and manufacturing labor force.

15           The purpose of this Act is to build on the successes of  
16 Hawaii's science and technology industries and establish a  
17 commercialization loan program, known as the Hawaii high impact



1 loan program for commercialization (HI-impact) to support  
2 Hawaii-based small businesses in the fields of dual-use  
3 technologies, tourism-technology, agriculture-technology,  
4 manufacturing technology, sports-technology, finance-technology,  
5 building and construction-technology, and other cross-industry  
6 collaborations (excluding energy) with Hawaii's technology  
7 sector.

8 SECTION 2. Chapter 206M, Hawaii Revised Statutes, is  
9 amended by adding two new sections to be appropriately  
10 designated and to read as follows:

11 "§206M-A Hawaii high impact loan program for  
12 commercialization; established. (a) There is established  
13 within the development corporation, the Hawaii high impact loan  
14 program for commercialization, also to be known as the HI-impact  
15 loan program, to support Hawaii-based small businesses in the  
16 fields of dual-use technologies, tourism-technology,  
17 agriculture-technology, manufacturing-technology, sports-  
18 technology, finance-technology, building and construction-  
19 technology, and other cross-industry collaborations (excluding  
20 energy generation technology).

21 (b) The purposes of the program shall be to:



- 1        (1) Develop, implement, and operate a comprehensive loan  
2                    program to support product development, technology  
3                    transfer, and commercialization;
- 4        (2) Provide capital to support accelerated  
5                    commercialization activities in the fields of dual-use  
6                    technologies, tourism-technology, agriculture-  
7                    technology, manufacturing-technology, sports-  
8                    technology, finance-technology, building and  
9                    construction-technology, and other cross-industry  
10                   collaborations (excluding energy generation  
11                   technology);
- 12       (3) Provide capital to sustain high-potential business  
13                   infrastructure development to assist the enterprise  
14                   towards commercial success;
- 15       (4) Promote high-quality, high-income job opportunities  
16                   for Hawaii's residents and graduates of Hawaii's  
17                   educational institutions;
- 18       (5) Reverse the loss of qualified workers to other states  
19                   by providing jobs to retain existing Hawaii technology  
20                   employees and enable highly qualified scientists and  
21                   engineers to return to living-wage jobs in Hawaii; and



1       (6) Keep high technology companies doing business in  
2       Hawaii by limiting the need to seek out-of-state  
3       venture capital, which dilutes local ownership and  
4       increases the probability of moving high potential  
5       technology companies from Hawaii.

6       (c) The board may hire an administrator for the HI-impact  
7       loan program, who shall be known as the HI-impact administrator.  
8       The board may set the salary for the HI-impact administrator.  
9       The HI-impact administrator position shall be exempt from  
10      chapter 76.

11      (d) The development corporation shall model the loan  
12      program after the Maryland technology development corporation  
13      technology commercialization fund by, among other things:

14      (1) Providing funding in two distinct investments,  
15      specifically:

16      (A) A first investment of up to \$100,000 to provide  
17      funds for critical product development that  
18      enables business to achieve significant product  
19      development and technical milestones; and

20      (B) A second investment of up to \$125,000, subject to  
21      a concurrent third-party investment and approval



1           by the high technology development corporation,  
2           to support further product development and to  
3           prepare the business for later-stage investments  
4           or product launch and revenue generation;

5       (2) Making program eligibility dependent upon the  
6           following two criteria:

7           (A) The business shall be a for-profit entity located  
8           in the State with fewer than sixteen full-time  
9           equivalent employee positions; and

10          (B) The business is pre-revenue or has received less  
11          than an aggregate of \$500,000 in equity  
12          investments; and

13       (3) Offering the loans in the form of a convertible note  
14          bearing eight per cent interest.

15       (e) To receive funding, a Hawaii-based business shall:

16           (1) Submit qualified proposals to the HI-impact  
17           administrator for funding in accordance with program  
18           requirements specified by the department of business,  
19           economic development, and tourism; provided that a  
20           majority of the work under the award shall be  
21           performed in the State;



- 1        (2) Submit to the HI-impact administrator a
- 2            commercialization budget, corporate business plan,
- 3            purchase orders or letters of commitment for product
- 4            sales, and a statement of commitment to pay interest
- 5            to the State and repay the total amount of principal
- 6            loaned under the HI-impact loan program for
- 7            commercialization based upon parameters set by the
- 8            department of business, economic development, and
- 9            tourism;
- 10        (3) Execute agreements in accordance with the HI-impact
- 11            administrator; and
- 12        (4) Submit reports and updates of project progress and
- 13            other required documents in accordance with HI-impact
- 14            administrator requirements.
- 15        (f) The HI-impact administrator shall submit an annual
- 16            report to the legislature no later than twenty days prior to
- 17            each regular session on the activities and expenditures of the
- 18            loan program and the high impact loan program for
- 19            commercialization special fund.
- 20        \$206M-B Hawaii high impact loan program for
- 21            commercialization; special fund. (a) There is established in



1 the treasury of the State the Hawaii high impact loan program  
2 for commercialization special fund to be administered by the  
3 development corporation.

4 (b) The revenues of the special fund shall consist of loan  
5 repayments, fees, fines and penalties, legislative  
6 appropriations for the program or the special fund, and interest  
7 accrued upon the funds in the special fund.

8 (c) The special fund shall be used to make loans to  
9 support Hawaii-based small businesses in the fields of dual-use  
10 technologies, tourism-technology, agriculture-technology,  
11 manufacturing-technology, sports-technology, finance-technology,  
12 building and construction-technology, and other cross-industry  
13 collaborations (excluding energy generation technology);  
14 provided that no more than fifteen per cent of the moneys may be  
15 expended for administration and program oversight of the program  
16 awardees; provided further that funds received from loan  
17 operations shall be used in accordance with this section and  
18 section 206M-A."

19 SECTION 3. There is appropriated out of the general  
20 revenues of the State of Hawaii the sum of \$                    or so much  
21 thereof as may be necessary for fiscal year 2016-2017 for



1 deposit into the Hawaii high impact loan program for  
2 commercialization special fund.

3 SECTION 4. There is appropriated out of the Hawaii high  
4 impact loan program for commercialization special fund the sum  
5 of \$ or so much thereof as may be necessary for fiscal  
6 year 2016-2017 for the purposes of this Act.

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

9 SECTION 5. In codifying the new sections added by section  
10 2 of this Act, the revisor of statutes shall substitute  
11 appropriate section numbers for the letters used in designating  
12 the new sections in this Act.

13 SECTION 6. New statutory material is underscored.

14 SECTION 7. This Act shall take effect on July 1, 2016.

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INTRODUCED BY:

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# H.B. NO. 2219

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JAN 25 2016



# H.B. NO. 2219

**Report Title:**

HTDC; Loan Program

**Description:**

Establishes a loan program in the HTDC to support high-technology small businesses. Appropriate funds.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

