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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 impact loan fund of  
18 Hawaii (HI-impact) to support Hawaii-based small businesses in



1 the fields of dual-use technologies, tourism-technology,  
2 agriculture-technology, ocean recreational-technology, finance-  
3 technology, building and construction-technology, life science-  
4 technology, biomedical engineering-technology, aerospace-  
5 technology, and other cross-industry collaborations, excluding  
6 energy generation technology, with Hawaii's technology sector.

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

10 "§206M-A Impact loan fund for Hawaii; established. (a)  
11 There is established within the development corporation, the  
12 impact loan fund for Hawaii, to be also known as the HI-impact  
13 loan program, to support Hawaii-based small businesses in the  
14 fields of dual-use technologies, tourism-technology,  
15 agriculture-technology, ocean recreational-technology, finance-  
16 technology, building and construction-technology, life science-  
17 technology, biomedical engineering-technology, aerospace-  
18 technology, and other cross-industry collaborations, excluding  
19 energy generation technology.

20 (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, ocean recreational-technology, finance-  
8        technology, building and construction-technology, life  
9        science-technology, biomedical engineering-technology,  
10       aerospace-technology, and other cross-industry  
11       collaborations, excluding energy generation  
12       technology;
- 13       (3) Provide capital to sustain high-potential business  
14       infrastructure development to assist the enterprise  
15       towards commercial success;
- 16       (4) Promote high-quality, high-income job opportunities  
17       for Hawaii's residents and graduates of Hawaii's  
18       educational institutions;
- 19       (5) Reverse the loss of qualified workers to other states  
20       by providing jobs to retain existing Hawaii technology



1 employees and enable highly qualified scientists and  
2 engineers to return to living-wage jobs in Hawaii; and

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

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

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

16 (1) Providing funding specifically for a first investment  
17 of up to \$ \_\_\_\_\_ to provide funds for critical  
18 product development that enables business to achieve  
19 significant product development and technical  
20 milestones;



- 1        (2) Making program eligibility dependent upon the
- 2        following two criteria:
- 3        (A) The business shall be a for-profit entity located
- 4        in the State with fewer than sixteen full-time
- 5        equivalent employee positions; and
- 6        (B) The business shall be pre-revenue or have
- 7        received less than an aggregate of \$500,000 in
- 8        equity investments; and
- 9        (3) Offering the loans in the form of a convertible note
- 10       bearing eight per cent interest.
- 11       (e) To receive funding, a Hawaii-based business shall:
- 12       (1) Submit qualified proposals to the development
- 13       corporation for funding in accordance with program
- 14       requirements specified by the development corporation;
- 15       provided that a majority of the work under the award
- 16       shall be performed in the State;
- 17       (2) Submit to the HI-impact administrator a
- 18       commercialization budget, corporate business plan,
- 19       corporate financials, pro forma statements, and other
- 20       information required by the HI-impact administrator;



- 1        (3) Secure a contract or purchase order from a customer  
2        company equal to or greater than ten per cent of the  
3        convertible debt loan;
- 4        (4) Submit a technical budgeted plan of work to meet the  
5        customer's needs;
- 6        (5) Include a justification letter of commitment from the  
7        customer company explaining how the business case will  
8        help the company and its commitment to purchase;
- 9        (6) Sign a promissory note when the loan is made;
- 10       (7) Execute agreements as required by the HI-impact  
11       administrator; and
- 12       (8) Submit reports and updates of project progress and  
13       other required documents as required by the HI-impact  
14       administrator.
- 15       (f) The HI-impact administrator shall submit an annual  
16       report to the legislature no later than twenty days prior to the  
17       convening of each regular session on the activities and  
18       expenditures of the loan program and the Hawaii impact loan  
19       program for commercialization special fund.



1       (g) The development corporation may adopt rules pursuant  
2 to chapter 91 necessary to carry out the purposes of this  
3 section.

4       §206M-B HI-impact special fund. (a) There is established  
5 in the treasury of the State the Hawaii the HI-impact special  
6 fund to be administered by the development corporation.

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

11       (c) The special fund shall be used to make loans to  
12 support Hawaii-based small businesses in the fields of dual-use  
13 technologies, tourism-technology, agriculture-technology, ocean  
14 recreational-technology, finance-technology, building and  
15 construction-technology, life science-technology, biomedical  
16 engineering-technology, aerospace-technology, and other cross-  
17 industry collaborations, excluding energy generation technology;  
18 provided that no more than fifteen per cent of the moneys may be  
19 expended for administration and program oversight of the program  
20 awardees; provided further that funds received from loan



1 operations shall be used in accordance with this section and  
2 section 206M-A."

3 SECTION 3. There is appropriated out of the general  
4 revenues of the State of Hawaii the sum of \$ or so much  
5 thereof as may be necessary for fiscal year 2016-2017 for  
6 deposit into the HI-impact special fund.

7 SECTION 4. There is appropriated out of the HI-impact  
8 special fund the sum of \$ or so much thereof as may be  
9 necessary for fiscal year 2016-2017 for the purposes of this  
10 Act.

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

13 SECTION 5. In codifying the new sections added by section  
14 2 of this Act, the revisor of statutes shall substitute  
15 appropriate section numbers for the letters used in designating  
16 the new sections in this Act.

17 SECTION 6. New statutory material is underscored.

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





**Report Title:**

HTDC; HI-impact Loan Program; Appropriation

**Description:**

Establishes the impact loan fund of Hawaii (HI-impact) loan program in the High Technology Development Corporation to support dual-use technology small businesses. Establishes the HI-impact special fund. Appropriates funds. (SD1)

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

