

**ACT 242**

S.B. NO. 1154

A Bill for an Act Relating to the Hawaii Innovation Development Program.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. The legislature finds that there exists in the State a serious shortage of early stage financing to promote product and process development by exploiting new technology, and that this shortage hampers the development of new and diverse business enterprises and job opportunities.

The legislature further finds that early stage financing of entrepreneurs and new business can be achieved by expanding the scope of chapter 211E, relating to the Hawaii invention development program, of the Hawaii Revised Statutes.

SECTION 2. The title of chapter 211E, Hawaii Revised Statutes, is amended to read as follows:

**“HAWAII [INVENTION] INNOVATION  
DEVELOPMENT PROGRAM”**

SECTION 3. Section 211E-1, Hawaii Revised Statutes, is amended by adding three new definitions to be appropriately inserted and to read as follows:

“Innovation” means any new product or invention.

“Inventor” means any resident taxpayer subject to the jurisdiction of the laws of the State of Hawaii who develops an innovation.

“Loan” means financing in which the department of planning and economic development shall prescribe the form of participation under section 211E-2(b) to carry out the purposes of this chapter.”

SECTION 4. Section 211E-2, Hawaii Revised Statutes, is amended to read as follows:

**“[§211E-2] Hawaii [invention] innovation development fund; establishment.** (a) There is established a revolving fund to be known as the Hawaii [invention] innovation development fund to be administered by the department of planning and economic development for the purpose of promoting the development of new products or inventions that have direct economic benefits for Hawaii. The department shall provide low interest loans pursuant to subsection (b) to inventors for the development of their new product or invention. All moneys received as repayment of loans and interest payment shall be deposited in the fund.

(b) The department shall adopt rules pursuant to chapter 91 to carry out the purposes of this chapter including the following:

- (1) Prescribe the qualification for eligibility of loan applicants;
- (2) Establish preferences and priorities in determining eligibility for loans and loan repayments;
- (3) Determine the necessity for and the extent of security required in any loan; [and]
- (4) Establish the interest rates chargeable by the State; provided that each loan granted under this section shall bear a simple interest which shall not exceed seven and one-half per cent[.]; and
- (5) Prescribe the forms of financial participation the department may engage in as a result of making a loan under this chapter, including but not limited to warrants, options, or royalties on sales or earnings.”

SECTION 5. There is appropriated out of the general revenues of the State of Hawaii the sum of \$500,000 for fiscal year 1987-1988 to be deposited into the Hawaii innovation development fund to be expended by the department of planning and economic development to carry out the purposes of this chapter.

SECTION 6. Statutory material to be repealed is bracketed. New statutory material is underscored.

SECTION 7. This Act shall take effect on July 1, 1987.

(Approved June 24, 1987.)