

JAN 25 2006

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**A BILL FOR AN ACT**

RELATING TO THE CAPITAL LOAN PROGRAM.

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

1           SECTION 1. The legislature finds that section 7, Act 178,  
2 Session Laws of Hawaii 2003, repealed section 210-3, Hawaii  
3 Revised Statutes, in effect eliminating the Hawaii capital loan  
4 revolving fund. With the elimination of this revolving fund,  
5 into which had been deposited all moneys received as repayments  
6 of loans under the Hawaii capital loan program, all such  
7 payments subsequent to the repeal of the Hawaii capital loan  
8 revolving fund were diverted to the general fund.

9           During the regular session of 2005, the staff and expenses  
10 of the Hawaii capital loan program were transferred to the  
11 Hawaii strategic development corporation, but without their  
12 associated revenues (i.e., principal and interest payments under  
13 the capital loan program). Since the intent of the legislature  
14 was to transfer the staff and expenses of the Hawaii capital  
15 loan program with its associated revenues, this Act corrects the  
16 oversight of failing to redirect the associated revenues with  
17 the transferred liabilities of the capital loan program. Thus,  
18 this technical housekeeping measure redirects the current income

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1 streams from the Hawaii capital loan program principal and  
2 interest repayments to the Hawaii strategic development  
3 corporation.

4 SECTION 2. Section 210-2, Hawaii Revised Statutes, is  
5 amended to read as follows:

6 "§210-2 Hawaii capital loan program. There is created a  
7 capital loan program which shall be administered by the director  
8 of business, economic development, and tourism in accordance  
9 with the spirit and intent of this chapter. All moneys received  
10 as principal and interest payments derived from any loans issued  
11 by the program shall be deposited into the Hawaii strategic  
12 development corporation revolving fund to meet the purposes of  
13 this program."

14 SECTION 3. New Statutory material is underscored.

15 SECTION 4. This Act shall take effect on July 1, 2006.

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17 INTRODUCED BY: \_\_\_\_\_

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BY REQUEST

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JUSTIFICATION SHEET

DEPARTMENT: Business, Economic Development, and Tourism

TITLE: A BILL FOR AN ACT RELATING TO THE HAWAII CAPITAL LOAN PROGRAM.

PURPOSE: Legislation passed in 2005 transferred staff and expenses of the Hawaii Capital Loan Program (HCLP) to the Hawaii Strategic Development Corporation (HSDC), utilizing HSDC revolving funds effective fiscal year 2006-2007. This housekeeping bill proposes redirecting existing principal and interest payments of outstanding HCLP loans to the HSDC revolving fund for purposes of matching program revenues with expenditures and ensuring that HCLP ongoing expenses will be covered in the future.

MEANS: Amend section 210-2, Hawaii Revised Statutes.

JUSTIFICATION: Since its inception, the Hawaii Capital Loan Program has assisted over 500 businesses and provided nearly \$100,000,000 in loans to those businesses, of which approximately \$5,900,000 is currently outstanding. This bill will ensure that adequate funds are available to monitor and pursue collection of those outstanding loans by redirecting principal and interest payments derived from those loans to the HSDC revolving fund, which effective fiscal year 2006-2007 will cover loan program activities.

Impact on the public: Ensure that existing \$5,900,000 loan portfolio continues to be properly monitored and serviced.

Impact on the department and other agencies: Provides regular income stream to cover program expenses; decreases reliance on uncertain and unpredictable HSDC revolving fund.

GENERAL FUND: Loan staff is currently funded from the general fund. This bill proposes that loan proceeds which are currently deposited in the general fund be deposited in the HSDC revolving fund to support ongoing loan program activities.

OTHER FUNDS: N/A.

PPBS PROGRAM

DESIGNATION: BED 145.

OTHER AFFECTED

AGENCIES: Hawaii Strategic Development Corporation.

EFFECTIVE DATE: July 1, 2006.