



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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Statement of
THEODORE E. LIU
Director

Department of Business, Economic Development, and Tourism
before the

HOUSE COMMITTEE ON ECONOMIC REVITALIZATION, BUSINESS, & MILITARY AFFAIRS

Tuesday, March 17, 2009
7:30 AM

State Capitol, Conference Room 312

in consideration of
SB 91 SD2

RELATING TO COMMUNITY-BASED ECONOMIC DEVELOPMENT.

Chair McKelvey, Vice-Chair Choy and Committee members:

The department supports the passage of SB 91 SD2. This bill makes technical and “housekeeping” revisions to sections of Chapter 210D, Hawaii Revised Statutes, which created the Hawaii Community-Based Economic Development (CBED) Program, the Hawaii Community-Based Development Revolving Fund, and the CBED Advisory Council.

The purpose of this measure is to update and improve the provision of CBED services by:

- Permitting the CBED Revolving Fund to access additional funding from other sources besides the State’s General Funds, and to deposit these outside funds into the CBED Revolving Fund.
- Allowing for smaller CBED loans, and reducing the maximum interest rate on these loans. A smaller CBED loan maximum of \$250,000 is recommended because of limited funds available. Currently the CBED loan maximum stands at \$500,000. The interest rate will be reduced from a maximum 10% simple interest to 6%.
- Clarifying the definition of “community of interest” to mean “a group of people who may not live in the same geographic area, but who are bound together through a common economic interest, e.g coffee growers, aquaculture cooperatives, Pacific Island crafters, etc.”

On advice from our Deputy Attorney General, DBEDT also requests that the committee consider amending the definition of "community-based organization" by deleting the words "membership-based" so that recipients of CBED's financial assistance would no longer be required to be membership-based as many qualified nonprofits that serve a community purpose are not "membership based". Accordingly, we recommend that this committee insert into Section 2 of the bill an amendment to the definition of "community-based organization" in section 210D-2 to read as follows:

"Community-based organization" means a [~~membership-based,~~] nonprofit corporation incorporated in the State of Hawaii that is organized and controlled by either a geographic community, a community of identity, or a community of interest and which is directly involved in community-based economic development activities.

The definition would still require the nonprofit to be organized and controlled by a geographic community, a community of identity (defined as a group of people who are bound together through a common ethnicity or personal characteristic), or a community of interest (defined as a group of people bound together through a common economic interest).

Further, we also respectfully request this committee delete in Section 7 of the bill, the amendment to section 210D-11(b)(1)(B), which requires a grant recipient to be "determined to be a nonprofit organization by the Internal Revenue Service." Our Deputy Attorney General has explained to us that the IRS does not determine an organization to be a nonprofit. The IRS determines an organization to be exempt from federal income tax. As the language in the bill stands now, it might be arguable that no organization could meet this requirement since the IRS does not, in fact, determine an organization to be a nonprofit.

Due to the constrained financial conditions of the State that affect financial assistance for community-based economic development, and the evolving challenges faced by distressed communities throughout Hawaii, it is imperative that Chapter 210D, Hawaii Revised Statutes, be revised this year – 2009, to keep pace with those challenges and needs of our most distressed communities. Facing the severe budget shortfalls of the next biennium, it is imperative that we take full advantage of opportunities to leverage limited State resources by accessing Federal and other private resources.

Thank you for the opportunity to offer these comments.

Representative Angus L.K. McKelvey, Chair
Representative Isaac W. Choy, Vice-Chair
Committee on Economic Revitalization, Business and Military Affairs
State Capitol, Room 312
415 South Beretania Street
Honolulu, HI 96813

RE: Support of SB 91 SD2 Relating to Community Based Economic Development

Dear Chairperson McKelvey and members of the
Committee:

I am writing in support of SB 91, SD2 and the Community Based Economic Development (CBED) Program. I am currently serving as Chair of the CBED Advisory Committee and have first hand knowledge of the great efforts that have been made by the CBED program in communities throughout the State. The economic development programs that are funded by CBED grants strengthen communities and provides support for these organizations which results in long term stability of the communities and better quality of life for its citizens.

While much of the bill makes technical clarifications to the HRS chapter governing CBED activities and allows more favorable conditions for loaning and granting of CBED monies, of particular importance is the modification that allows CBED revolving fund to receive funding from sources besides the state general fund. Because of the State's economic condition and the current budgetary shortfall, it is vital that the CBED program be provided access to the funds. This allows the program to leverage federal and private foundation funding sources to support community groups at a time when state funding is diminishing and the need for economic development and stimulus is at its greatest.

During this period of economic instability and uncertainty, the CBED program continues to provide a cost-effective approach in developing strong, stable and self-reliant communities. I humbly ask for your support of the CBED program and urge the passage of SB 91, SD2. Thank you for the opportunity to provide written testimony.

Mahalo,
Dean Matsukawa
Chair of the CBED Advisory Committee

Board Members

President

Jason Okuhama (*at large*)
Managing Partner,
Commercial & Business
Lending

Vice President

Akoni Akana (*Maui*)
Executive Director,
Friends of Moku`ula

Secretary

Rian Dubach (*at large*)
Community Development &
CRA Manager
American Savings Bank

Treasurer

Wayne Tanna (*at large*)
Asset Building Coalition &
Chaminade University

Kipukai Kualii`i (*Kaua`i*)
Anahola Kaua`i Agribusiness
Microenterprise Project

Stacy Crivello (*Moloka`i*)
President
Ke Aupuni Lokahi

Puni Kekauoha &
Adrienne Dillard (*O`ahu*)
Papakolea CDC

Keikialoha Kekipi &
Susie Osborne (*Hawai`i*)
Ho`oulu Lahui/ Kua O Ka La
Public Charter School

Kukui & Gary Maunakea-Forth
(*O`ahu*)
WCRC/Mala Ai`Opio (MA`O)

Tommy Otake (*at large*)
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House Committee on Economic Revitalization, Business and Military Affairs

Tuesday, March 17, 2009 @ 7:30am

Conference Room 312

SB91 SD2 – SUPPORTING THE INTENT

RELATING TO COMMUNITY-BASED ECONOMIC DEVELOPMENT

Chair McKelvey and committee members

Thank you for the opportunity to provide testimony supporting the intent **SB 91 SD2** which would primarily **allow the Hawaii community-based economic development fund to obtain funds from other sources.**

HACBED also supports the intent of SB91 SD2 based on the following merits.

- Authorize the Hawaii community-based economic development revolving fund to receive funding from any source;
- Repeal prohibition on reallocation of funds from loan program to grant program;
- Reduce the maximum interest rate on loans from 10% to 6%;
- Changes Loan amount to an unspecified number.
- Amends the definition of “*Community of Interest*” to allow for a broader representation of persons who share a common economic interest.

HACBED is confident that **SB 91 SD2** will not only remove barriers for community-based economic development projects, but will also increase the state’s ability to respond to the needs of Hawaii’s communities’ through increased opportunities for community-based ventures. The introduction of **SB 91 SD2** comes at a critical time in Hawaii’s economic history, dovetailing important changes to current HRS culminating in greater financial flexibility on the part of the Hawaii community-based economic development revolving fund and providing greater incentives for communities-based organizations to grow their mission and expand their services and reach.

Community Voice, Collective Action

We believe that State support for CBED projects for communities is crucial because they are:

- Addressing critical social and community issues through initiatives with economic impact getting to the “double bottom line”;
- Leveraging limited resources through creative public, private, and community partnerships; and
- Empowering families and communities to have choice and control over their own futures.

Thank you for the opportunity to provide this testimony.

Sincerely

Brent Dillabaugh
Policy Director



March 13, 2009

Chair Angus McKelvey
Committee on Economic Revitalization, Business & Military Affairs
Hawaii State House of Representatives
State Capitol, Conference Room 312
Honolulu, HI 96813

RE: Senate Bill 91, SD2, Relating to Community-Based Economic Development

Dear Chair McKelvey and members of the House Economic Revitalization, Business & Military Affairs Committee:

On behalf of the Hawaii Alliance of Nonprofit Organizations (HANO), I would like to express full support of SB 91, SD2.

While much of the bill language makes technical clarifications to the HRS chapter governing CBED activities and allows for more favorable conditions for loaning and granting CBED monies, we are most supportive in particular of the modification that allows the CBED revolving fund to receive additional revenue from other sources besides the state general fund. The additional leveraged resources to be secured from federal and private foundation sources will be distributed to community groups at a time when state support is diminishing and the need for economic development and stimulus is at its greatest.

HANO unites and strengthens the nonprofit sector as a collective force to improve the quality of life in Hawaii. It works in the areas of leadership and convenings; advocacy and public policy; research and information; communications; professional development; and products and services for its members to ensure best practices and standards of excellence in the nonprofit sector.

As a past grant recipient of CBED, we can attest to the impact that CBED support had on our ability as a statewide nonprofit sector intermediary to provide economic development and build capacity in the nonprofit community on all major islands.

We look forward to your favorable consideration of this bill. Thank you for the opportunity to provide written testimony.

Mahalo,
Lisa Maruyama
President and CEO

TESTIMONY IN SUPPORT OF
SENATE BILL 91 SD2
RELATING TO COMMUNITY-BASED ECONOMIC DEVELOPMENT

Honorable Chair McKelvey, Vice Chair Choy and Committee Members, Aloha!

I am Shirley Swinney and serve as President for the Malu'ohai Residents Association a Hawaiian homestead community of 226 families. My testimony is in **support** of Senate Bill 91 relating to community-based economic development.

CBED has provided invaluable support to our community as we strive to improve our neighborhood and larger community. SB91 will update and improve the provision of CBED services by permitting CBED to access additional funds from other sources and by making technical and housekeeping revisions to Chapter 210D, HRS. This will permit CBED more flexibility to serve a broader network of communities.

I ask for the support of the Economic Development and Technology Committee leadership and its committee members to vote in favor of Senate Bill 91.

Yours truly,

Shirley Swinney

Shirley Swinney