

Honolulu, Hawaii

FEB 11 2011

RE: S.B. No. 757
S.D. 1

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committee on Economic Development and Technology, to which was referred S.B. No. 757 entitled:

"A BILL FOR AN ACT RELATING TO SMALL BUSINESS,"

begs leave to report as follows:

The purpose of this measure is to appropriate monies for the Hawaii Capital Loan Program established pursuant to chapter 210, Hawaii Revised Statutes. The intent of this measure is to provide additional financial resources to assist the economic recovery of Hawaii's small businesses.

Your Committee received testimony in support of this measure from the Department of Business, Economic Development, and Tourism, The Chamber of Commerce of Hawaii, and one individual.

Your Committee finds that the Hawaii Capital Loan Program was established in 1963 to provide loans to small businesses for plant construction or expansion; the purchase of buildings, land, equipment, machinery, supplies, materials, and working capital. Over the forty years of the loan program's existence, it assisted five hundred sixty-one borrowers, and provided financing of over \$96,000,000. Of that \$96,000,000, the loan program disbursed \$48,100,000 and leveraged \$47,900,000 from financial institutions through participation loans. During that forty-year period, only seventy-six loans were written off, for a total of just under \$7,500,000.



Your Committee further finds that in 2003, due to budget concerns, the expenditure ceiling was lowered to preclude making loans, and the Hawaii Capital Loan Revolving Fund was repealed on June 30, 2004.

Your Committee believes the Hawaii Capital Loan Program serves a public purpose by helping small businesses, which are the backbone of Hawaii's economy, access financing that would otherwise not be available. Your Committee also understands that the 2009 budget and personnel cuts left the program underfunded and understaffed, and that approximately \$100,000 for annual salary and operational expenses would be required for the program.

Your Committee further understands that the Hawaii Capital Loan Revolving Fund should be reestablished to ensure that any funds appropriated for the loan program, or received as principal and interest payments on outstanding loans will be used for the purposes of the revolving fund. Requiring principal and interest payments on outstanding loans to be paid into the fund will also help to lower the need for future General Fund appropriations.

Your Committee has amended this measure accordingly, by:

- (1) Reestablishing the Hawaii Capital Loan Revolving Fund, with principal and interest payments on any outstanding loans to be deposited into the fund;
- (2) Authorizing the Department of Business, Economic Development, and Tourism to contract with any financial institution for services including servicing or administering loans;
- (3) Appropriating monies to the Hawaii Capital Loan Revolving Fund for operations of the Hawaii Capital Loan Program; and
- (4) Making amendments to the purpose section to reflect the above changes.

As affirmed by the record of votes of the members of your Committee on Economic Development and Technology that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 757, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 757, S.D. 1, and be referred to the Committee on Ways and Means.



Respectfully submitted on
behalf of the members of the
Committee on Economic
Development and Technology,



CAROL FUKUNAGA, Chair



