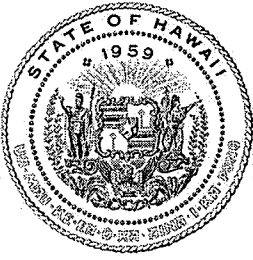


SB 757

SD 1



NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
INTERIM DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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Statement of
RICHARD C. LIM
Interim Director
Department of Business, Economic Development, and Tourism
before the

COMMITTEE ON WAYS AND MEANS

Tuesday, March 1, 2011
9:20 AM
State Capitol, Conference Room 211

In consideration of

SB 757, SD1

RELATING TO SMALL BUSINESS.

Chair Ige, Vice Chair Kidani and Members of the Senate Committee on Ways and Means.

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of SB 757, SD1, which reestablishes the Hawaii Capital Loan Revolving Fund. In 2003, due to budget concerns, the legislature lowered the expenditure ceiling to preclude making loans under the Hawaii Capital Loan Program. More importantly, the legislature repealed the Hawaii Capital Loan Revolving Fund as of June 30, 2004.

The Hawaii Capital Loan Program (Chapter 210, HRS) was established by the State Legislature 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. The program was created to fill a void in the financial markets by assisting entrepreneurs who are unable to obtain financing through private or other conventional lenders.

Over the forty years of the Hawaii Capital Loan Program's (HCLP) existence, it assisted 561 borrowers providing financing of over \$96 million. Of the \$96 million, the loan program disbursed \$48.1 million and leveraged \$47.9 million from financial institutions via participation loans. Seventy-six loans were written off during the course the program totaling just under \$7.5 million.

The HCLP serves a public purpose of helping small business to grow with the necessary financing that would otherwise not be available. However, DBEDT does not have the necessary resources to undertake this program. The only loan officer in the Department in charge of handling the Hawaii Capital Loan Program and other loan programs was let go in November 2009 during the reduction in force. Approximately \$100,000 for salary and operational expenses would be required to adequately staff the program should it be reinstated.

More importantly, as established in this bill, the Hawaii Capital Loan Revolving Fund needs to be reenacted. Without the Revolving Loan Fund, there would be no fund from which to make loans and receive loan payments.

Thank you for the opportunity to offer these comments.



**Testimony to the Senate Committee on Ways and Means
Tuesday, March 1, 2011 at 9:20 a.m.
Conference Room 211, State Capitol**

RE: SENATE BILL NO. 757 SD1 RELATING TO SMALL BUSINESS

Chair Ige, Vice Chair Kidani, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") is in general **support** of SB 757 SD1, which is one of the bills in the Small Business Caucus package. The Chamber appreciates the effort of the Legislature to help small businesses in Hawaii.

The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

This measure Reestablishes the Hawaii capital loan revolving fund; requires that principal and interest payments being made on outstanding loans be deposited into the fund; authorizes the department of business, economic development, and tourism to contract with financial institutions for servicing or administering loans; appropriates funds for the operations of the Hawaii capital loan program. (SD1)

In Hawaii, small businesses are the engine for Hawaii's economy. They account for a majority of all new jobs and embody the spirit of innovation, entrepreneurship and individual initiative. They reflect all industries and a wide range of employment. Because of the significant role they play in Hawaii's economy, the challenges faced by this segment cannot be overlooked.

In the past couple of years, as a result of the downturn in the economy, small businesses have faced difficulty in obtaining financing and the necessary working capital to maintain or expand their business. SB 757 SD1 is an attempt to address this obstacle and provide another option for businesses to attain financial assistance.

The Chamber asks that the committee pass SB 757 for further discussion. Thank you for the opportunity to provide testimony.