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**A BILL FOR AN ACT**

RELATING TO BUSINESS.

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

1 SECTION 1. The Hawaii Revised Statutes is amended by  
2 adding a new chapter to be appropriately designated and to read  
3 as follows:

4 "CHAPTER

5 SMALL BUSINESS HARDSHIP LOAN PROGRAM

6 § -1 Definitions. As used in this chapter, unless the  
7 context otherwise requires:

8 "Department" means the department of business, economic  
9 development, and tourism.

10 "Director" means the director of business, economic  
11 development, and tourism.

12 "Loan program" means the small business hardship loan  
13 program.

14 "Small business" means a corporation, partnership, sole  
15 proprietorship, or other legal entity that:

16 (1) Is domiciled in Hawaii;

17 (2) Is formed to make a profit;

18 (3) Is wholly owned and operated by Hawaii residents;



1 (4) Employs Hawaii residents; and

2 (5) Employs fewer than one hundred full-time employees.

3 § -2 **Small business hardship loan program.** (a) There  
4 is established the small business hardship loan program to be  
5 administered by the department. The purpose of the loan program  
6 is to enable the department to make direct loans to eligible  
7 small businesses, as determined by the department, that are  
8 experiencing economic hardship.

9 (b) In administering the loan program, the department  
10 shall adopt rules under chapter 91 to establish the terms and  
11 conditions, maturities, interest rates, collateral, and other  
12 requirements for the loans; provided that the interest on loans  
13 made under this chapter shall bear simple interest at the rate  
14 of one per cent below the prime rate or at a rate of  
15 per cent a year, whichever is lower. For purposes of this  
16 subsection, the prime rate shall be determined on the first day  
17 of each month and shall be the rate charged by the two largest  
18 banks in the State of Hawaii identified by the department of  
19 commerce and consumer affairs. If there is a difference in rate  
20 charged by the institutions, the lower of the two shall be used.

21 (c) The department shall establish the qualifications of  
22 the eligible small business; provided that:



1           (1) In order to be eligible, a small business shall obtain  
2           a tax clearance certificate from the department of  
3           taxation verifying that the small business has filed  
4           all required returns and paid all required taxes,  
5           penalties, and interest; and

6           (2) No small business shall be eligible for more than one  
7           loan under this chapter.

8           § -3 **Small business hardship loan revolving fund.** (a)

9           There is established in the state treasury the small business  
10          hardship loan revolving fund, into which shall be deposited:

- 11          (1) Appropriations from the legislature;  
12          (2) Interest derived from moneys in the fund;  
13          (3) Moneys received as repayment of loans; and  
14          (4) Federal funds, if available.

15          (b) Moneys in the small business loan revolving fund shall  
16          be used for the purposes provided in this chapter.

17          § -4 **Default; security.** (a) The department may take  
18          all necessary action to collect any delinquent amount in the  
19          event of a default in the payment of any installation of  
20          principal or interest on any loan made from the small business  
21          hardship loan revolving fund and to otherwise secure the loans



1 in a manner that affords reasonable protection of the State's  
2 resources.

3 § -5 Rulemaking authority. The director may adopt  
4 rules, pursuant to chapter 91, necessary to carry out the  
5 purposes of this chapter."

6 SECTION 2. There is appropriated out of the general  
7 revenues of the State of Hawaii the sum of \$ or so much  
8 thereof as may be necessary for fiscal year 2011-2012 and the  
9 same sum or so much thereof as may be necessary for fiscal year  
10 2012-2013 to be deposited into the small business hardship loan  
11 revolving fund.

12 The sums appropriated shall be expended by the department  
13 of business, economic development, and tourism for the purposes  
14 of this Act.

15 SECTION 3. This Act shall take effect on July 1, 2011.

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JAN 21 2011



**Report Title:**

Small Business Loans; Revolving Fund

**Description:**

Establishes the small business hardship loan program to direct one-time loans to small businesses that are experiencing economic hardship. Establishes the small business hardship loan revolving fund.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

