



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

NEIL ABERCROMBIE
GOVERNOR

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Statement of

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

HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS

Thursday, February 3, 2011
8:00 AM
State Capitol, Conference Room 312

In consideration of

HB 367
RELATING TO SMALL BUSINESS.

Chair McKelvey, Vice Chair Choy and Members of the House Committee on Economic Revitalization & Business.

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of HB 367, which relates to the Hawaii Capital Loan Program. 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 More importantly, the legislature repealed the Hawaii Capital Loan Revolving Fund as of June 30, 2004.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, 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.