

**SB 1218**

**EDT**



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

### **SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY**

Wednesday, February 2, 2011  
1:45 PM  
State Capitol, Conference Room 016

in consideration of  
**SB 1218**  
**RELATING TO BUSINESS.**

Chair Fukunaga, Vice Chair Wakai and Members of the Senate Committee :

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of SB 1218, which creates a temporary revolving loan program for small business on the island of Lanai.

DBEDT is well aware of the economic challenges faced by small businesses not only on Lanai but throughout the State as well and understands that small businesses have always had a difficult time getting bank loans. The establishment of a temporary revolving loan program to stimulate the development and growth of small businesses on the island of Lanai could be placed under the Department's Hawaii Capital Loan Program.

It's important to note that due to budget considerations, the Legislature, in 2004, stopped funding the Hawaii Capital Loan Program. In addition, the only loan officer in the Department in charge of handling the legacy Hawaii Capital Loan Program and other loan programs in the Department was let go in November 2009 during the reduction in force. As a result, DBEDT

does not have the necessary resources to undertake this program. Approximately \$100,000 for salary and operational expenses would be required to adequately staff the program annually.

Thank you for the opportunity to offer these comments.



Testimony to the Senate EDT Committee  
Wednesday, February 2, 2011; 1:45 p.m.  
Conference Room 016

## Speaking in Support

RE: SB 1218 Small Business Loans for Lanai

Chair Senator Fukunaga, Vice Chair Senator Wakai and Members of the Economic Development and Technology Committee:

My name is James E. Coon, President of the Ocean Tourism Coalition. The OTC represents over 300 small ocean tourism businesses state wide. We appreciate the efforts being made by the Legislature in addressing the plight of small businesses, especially on the Island of Lanai.

For all the reasons outlined in the preamble to SB 1218 we believe this bill will go a long way in providing opportunity for small entrepreneurs to have the funding necessary to start and grow a business on Lanai. This is a very small economy and most likely will not represent a very large funding base, yet it could have a large positive impact on a very special island community creating jobs and opportunities which are just not available at this time.

Please pass this bill SB 1218 it will help struggling small businesses to get started and thrive in the very challenging economic environment which exists on Lanai.

Thank you for the opportunity to submit testimony. If you have any questions, please contact me at 808-870-9115.

Sincerely,

James E. Coon, President



**LATE**

**Testimony before the  
Senate Committee on**

**Economic Development and Technology**

**S.B. 1218 -- Relating to a Commercial Loan Program for Small  
Businesses**

**Wednesday, February 2, 2011  
1:45 pm, Conference Room 016**

**By Robbie Alm  
Executive Vice-President  
Hawaiian Electric Company, Inc.**

Chair Fukunaga, Vice Chair Wakai and Members of the Committee,

This testimony is being submitted on behalf of Hawaiian Electric Company and its subsidiary utility, Maui Electric Company.

We support S.B. 1218 which establishes a revolving loan program to stimulate the development and growth of small businesses on the island of Lanai. During community meetings on the proposed wind farm project and in discussions during the community's visioning process concerns were raised by the business community about their inability to secure commercial loans for their businesses because of their short-term leases. This bill will provide these Lanai businesses with the opportunity to qualify for loans to finance construction or renovation or for converting, expanding, or equipping businesses.

This bill is among several bills that have been introduced this legislative session which address some concerns and desires raised by residents during community discussions on the wind farm project. If the wind farm is built on Lanai and the power sent to Oahu, it seems only fair to provide the island with the resources necessary to meet critical community needs. We strongly urge this committee to pass this bill.

Thank you for the opportunity to testify.

**LATE**

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## ANALYSIS

### Temporary Revolving Loan Fund H.B. No. 851 and S.B. No. 1218

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Section 23-11, Hawai'i Revised Statutes, requires the Auditor to submit no later than 30 days prior to the end of the legislative session an analysis of each new special or revolving fund proposed by legislative bills.



**THE AUDITOR**  
STATE OF HAWAII

# Analysis of the Temporary Revolving Loan Fund Proposed in H.B. No. 851 and S.B. No. 1218

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## Description and Purpose

These bills establish a Temporary Revolving Loan Program to be administered by the Department of Business, Economic Development & Tourism. The purpose of the program is to provide financing for small businesses on the island of Lānaʻi. These bills also establish the Temporary Revolving Loan Fund. Moneys in the fund shall be used by the department to make loans to Lānaʻi small businesses for financing plant construction, renovation, conversion, or expansion, or for the acquisition of equipment, machinery, supplies, or materials. Revenues to the fund would come from all payments, interest, and fees collected by the department from the program. These bills also provide that the director of finance is authorized to issue revenue bonds in an unspecified amount, for fiscal year 2011-2012, for deposit into the fund for the establishment and operation of the loan program. The bill further provides that the fund shall be repealed on an unspecified date, at which time, all unencumbered moneys remaining in the fund shall lapse to the state general fund.

## Criteria

Our analysis is of the Temporary Revolving Loan Program Revolving Fund and not of the program that it would support. Two criteria are used in analyzing the fund: (1) whether a clear link exists between the benefit sought and the charges made of users or beneficiaries of the programs as opposed to providing the program with an automatic means of support, and (2) whether the fund has the capacity to be self-sustaining.

### Linkage

Linkage exists between the benefits sought and the charges made upon the users.

### Self-sustainability

The fund is intended to be self-sustaining. However, estimated revenue and expenditure information is not known at this time.



## Probable Effects

Additional administrative costs associated with a new fund will be incurred by central service agencies of the state government. Undetermined amounts of revenue would be deposited into the fund and would not be subject to the normal lapsing requirements.

## Alternate Funding

Support for this program could be provided through direct general fund appropriations.

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**Marion M. Higa**  
State Auditor  
State of Hawai'i

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