

H.B. NO. 2289

A BILL FOR AN ACT

RELATING TO THE HAWAII COMMUNITY-BASED ECONOMIC DEVELOPMENT
TECHNICAL AND FINANCIAL ASSISTANCE PROGRAM.

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

1 SECTION 1. Section 210D-2, Hawaii Revised Statutes, is
2 amended by amending the definition of "community-based
3 organization" to read as follows:

4 "Community-based organization" means a [~~membership-based,~~
5 nonprofit corporation incorporated in the State of Hawaii that
6 is organized and controlled by either a geographic community, a
7 community of identity, or a community of interest and which is
8 directly involved in community-based economic development
9 activities."

10 SECTION 2. Section 210D-5, Hawaii Revised Statutes, is
11 amended to read as follows:

12 "**§210D-5 Community-based economic development advisory**
13 **council; established.** There is established the community-based
14 economic development advisory council, which shall consist of
15 [~~twelve~~] nine members. The director of business, economic
16 development, and tourism, the chairperson of the board of
17 agriculture, and the chairperson of the office of Hawaiian

H.B. NO. 2289

1 affairs, or their respective designees, shall be ex officio
2 voting members of the council. The remaining [~~nine~~] six members
3 shall be appointed by the governor in accordance with section
4 26-34. Each county shall be represented by at least one member
5 who is a resident of that county, and at least one member of the
6 council shall be a representative of the financial
7 community. The council shall be placed for administrative
8 purposes in the department of business, economic development,
9 and tourism."

10 SECTION 3. Section 210D-11, Hawaii Revised Statutes, is
11 amended to read as follows:

12 "**§210D-11 Grants; conditions and qualifications.** (a)
13 Grants shall be made for amounts not to exceed \$100,000 for each
14 applicant. Applications for grants shall be made to the
15 department and contain such information as the department shall
16 require by rules adopted pursuant to chapter 91. At a minimum,
17 the applicant must show that:

18 (1) The grant shall be used exclusively for community-
19 based economic development activities [~~or~~], a
20 community-based business or enterprise [~~that are~~], or
21 the provision of technical assistance to community-
22 based organizations, consistent with the purposes of

H.B. NO. 2289

- 1 this chapter [~~for a continuous period of at least five~~
2 years];
- 3 (2) The community-based business or enterprise shall have
4 applied for or received all applicable licenses and
5 permits;
- 6 (3) The applicant [~~will~~] shall comply with all applicable
7 federal and state laws prohibiting discrimination
8 against any person on the basis of race, color,
9 national origin, religion, creed, sex, age, [~~or~~
10 ~~physical handicap;~~] sexual orientation, disability, or
11 any other characteristic protected under applicable
12 federal or state law;
- 13 (4) The grant shall not be used for purposes of
14 entertainment or perquisites;
- 15 (5) The applicant shall comply with other requirements as
16 the department [~~of business, economic development, and~~
17 ~~tourism~~] may prescribe;
- 18 (6) All activities and improvements undertaken with funds
19 received shall comply with all applicable federal,
20 state, and county statutes and ordinances, including
21 applicable building codes and agency rules;

H.B. NO. 2289

1 (7) The applicant [~~will~~] shall indemnify and save harmless
2 the State of Hawaii and its officers, agents, and
3 employees from and against any and all claims arising
4 out of or resulting from activities carried out or
5 projects undertaken with funds provided hereunder, and
6 procure sufficient insurance to provide this
7 indemnification if requested to do so by the
8 department; and

9 (8) The facilities [~~will~~] shall not be used and are not
10 intended to be used for sectarian instruction or as a
11 place of worship.

12 (b) To receive a grant under this section for community-
13 based economic development activities [~~or development of~~], a
14 community-based enterprise[~~r~~] or business, or the provision of
15 technical assistance to community-based organizations, an
16 applicant shall:

17 (1) Be either:

18 (A) A profit subsidiary of a nonprofit community-
19 based organization incorporated under the laws of
20 the State;

H.B. NO. 2289

- 1 (B) A nonprofit community-based organization
2 determined to be exempt from federal income
3 taxation by the Internal Revenue Service; [~~or~~]
- 4 (C) A cooperative association; or
- 5 (D) An organization providing technical assistance to
6 community-based organizations;
- 7 (2) In the case of a nonprofit organization, have a
8 governing board whose members have no material
9 conflict of interest and serve without compensation,
10 have bylaws or policies that describe the manner in
11 which business is conducted and policies relating to
12 nepotism and management of potential conflict of
13 interest situations, and employ or contract with no
14 two or more members of a family or kin of the first or
15 second degree unless specifically permitted by the
16 department;
- 17 (3) Agree to make available to the department all records
18 the applicant may have relating to the [~~operation of~~
19 ~~the community-based enterprise,~~] grant, to allow state
20 agencies to monitor the applicant's compliance with
21 the purpose of this chapter; and

H.B. NO. 2289

1 (4) Establish, to the satisfaction of the department, that
2 sufficient funds are available for the effective
3 operation of the activity, business, [~~or~~] enterprise,
4 or technical assistance for the purpose for which the
5 grant is awarded."

6 SECTION 4. There is appropriated out of the general
7 revenues of the State of Hawaii the sum of \$1,000,000 or so much
8 thereof as may be necessary for fiscal year 2016-2017 for
9 deposit into the Hawaii community-based economic development
10 revolving fund established under section 210D-4, Hawaii Revised
11 Statutes.

12 SECTION 5. There is appropriated out of the Hawaii
13 community-based economic development revolving fund the sum of
14 \$1,000,000 or so much thereof as may be necessary for fiscal
15 year 2016-2017 to provide community-based economic development
16 technical and financial assistance.

17 The sum appropriated shall be expended by the department of
18 business, economic development, and tourism for the purposes of
19 this Act.

20 SECTION 6. Statutory material to be repealed is bracketed
21 and stricken. New material is underscored.

22

H.B. NO. 2289

1 SECTION 7. This Act, upon its approval, shall take effect
2 on July 1, 2016.

3
4 INTRODUCED BY:

A handwritten signature in black ink, appearing to read "Gordon", is written over a horizontal line.

5 BY REQUEST

6
JAN 25 2016

H.B. NO. 2289

Report Title:

Hawaii Community-Based Economic Development Technical and Financial Assistance Program

Description:

Amends the definition of "community-based organization." Amends the qualifications for community-based economic development grants to include technical assistance to community-based organizations. Reduces the number of community-based economic development advisory council members from twelve to nine. Updates non-discrimination language. Appropriates funds to the Hawaii community-based economic development 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.

JUSTIFICATION SHEET

DEPARTMENT: Business, Economic Development, and Tourism

TITLE: A BILL FOR AN ACT RELATING TO THE HAWAII COMMUNITY-BASED ECONOMIC DEVELOPMENT TECHNICAL AND FINANCIAL ASSISTANCE PROGRAM.

PURPOSE: Amend the definition of "community-based organization" to make it less restrictive by deleting the requirement that the organization be membership-based. Reduce the number of the Community-based Economic Development Advisory Council members from twelve to nine. Delete the requirement that community-based economic development (CBED) grant applicants show that the grant will be used for community-based activities or a community-based enterprise "for a continuous period of at least five years." Expand CBED grantee qualifications to include organizations providing technical assistance to community-based organizations. Update the non-discrimination language with which grant recipients must comply. Appropriate funds to the Hawaii community-based economic development revolving fund.

MEANS: Amend sections 210D-2, 210D-5, and 210D-11, Hawaii Revised Statutes.

JUSTIFICATION: (1) In order to qualify for a CBED grant, an organization must be either a cooperative association or a "community-based organization." Under the current definition of "community-based organization," the organization must be a membership-based nonprofit corporation. Many nonprofit organizations whose missions would further the purpose of the CBED program are not membership-based, and thus do not qualify for the grants. By deleting the membership-based requirement, many more deserving organizations would be eligible for CBED grants.

(2) The CBED Advisory Council has had difficulty meeting due to a lack of quorum. By making the Council smaller, it will be easier to schedule meetings and comply with quorum requirements.

(3) Currently, to qualify for CBED grants, the applicant must show that the grant will be used for community-based economic development activities or a community-based business or enterprise "for a continuous period of at least five years." While it should be the Department of Business, Economic Development, and Tourism's (DBEDT) and the grantees' intent that the benefits of a CBED grant will be realized for a continuous period of years, it is difficult for grant applicants to show this at the time of application.

(4) Technical assistance is an important component in enabling community-based organizations to be successful in their missions, including economic viability. Expanding CBED grantee qualifications to include organizations providing technical assistance to community-based organizations will allow DBEDT to better assist in the success and viability of these community-based organizations.

(5) The purpose of chapter 210D, Hawaii Revised Statutes, is to establish a program of technical and financial assistance through the CBED Revolving Fund for community-based organizations to assist in the establishment and development of community-based enterprises in the State. The CBED Revolving fund may be used for grants, loans, and technical assistance. Since the Fund is not used exclusively for loans, periodic allocations to the fund are necessary. Most of the current funds have now been deployed into Hawaii's communities as DBEDT is making a dedicated effort to reinvigorate the CBED program as community-

based economic development opportunities are presented. For instance, the CBED Accelerator program was launched in the summer of 2015 to assist community economic impact organizations develop recurring revenue-generating projects to diversify their financing. A Memorandum of Understanding between DBEDT and the State Department of Agriculture regarding loan servicing is also in place, thus enabling DBEDT to expand the loan component of the CBED program.

(6) The general fund appropriation included in this measure has been made in accordance with the statutorily defined appropriation ceiling for the Executive Branch pursuant to section 37-92, Hawaii Revised Statutes. Including appropriations made up to and including the regular session of 2015, the Executive Branch appropriation ceiling for fiscal year 2016-17 has already been exceeded by \$14,892,787 or 0.2 percent. Funding requested in this measure, which appropriates funds to the Hawaii community-based economic development revolving fund, will result in the appropriation ceiling for the Executive Branch to now be exceeded in fiscal year 2016-17 by an additional \$1,000,000. or .014 percent. This current declaration takes into account additional general fund appropriations authorized for fiscal year 2016-17 in this measure only, and does not include other general fund appropriations for fiscal year 2016-17 that may be authorized for the Executive Branch in other legislation submitted to the Legislature during the regular session of 2016.

Impact on the public: These amendments will provide greater opportunity for community-based, not just membership-based, organizations to participate in the CBED grant program. Also, including organizations that provide technical assistance will impact the economic success and viability of community-based organizations.

Impact on the department and other agencies:
Will enable DBEDT's CBED program to be more responsive in addressing community-based economic development needs and opportunities.

GENERAL FUND: \$1,000,000.

OTHER FUNDS: None.

PPBS PROGRAM:
DESIGNATION: BED 100.

OTHER AFFECTED
AGENCIES: Department of Budget and Finance.

EFFECTIVE DATE: July 1, 2016.



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
LUIS P. SALAVERIA
Director

Department of Business, Economic Development, and Tourism
before the

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT AND BUSINESS

Tuesday, February 09, 2016
9:00 am
State Capitol, Conference Room 312

in consideration of
HB 2289

RELATING TO THE HAWAII COMMUNITY-BASED ECONOMIC DEVELOPMENT TECHNICAL AND FINANCIAL ASSISTANCE PROGRAM.

Chair Kawakami, Vice Chair Kong and members of the Committee. The Department of Business, Economic Development, and Tourism (DBEDT) supports HB 2289, an administration bill. This measure will support DBEDT's efforts to assist Community-Based Economic Development (CBED) initiatives in the State's overall economic development strategy. Community-based organizations are normally rural located and serve the distressed areas of our State. Many embark upon economic development activities in order to finance their worthy goals. This bill will allow DBEDT to help more community-based organizations achieve their economic development objectives.

Under CBED's current statute, the definition of "community-based organization," is limited to organizations that are "membership-based" nonprofits in order to participate in CBED grant and technical assistance programs. However, there are a number of nonprofit organizations active in community-based economic development that are not "membership-based." This bill seeks to allow the CBED program greater flexibility by enabling the program to assist qualified non-profit organizations to participate in CBED programs.

The CBED program has been in existence for almost 25 years. Throughout its history, it has assisted over a thousand organizations with grants, loans and technical assistance and created

numerous jobs in the process. In order for the CBED program to be more self-sustaining through its revolving fund, the program has transitioned from making grants to emphasizing making loans. As a result, the program itself has become revenue generating. The fund, however, has a balance of only \$88,724 as of June 30, 2015.

With the proposed change in the statute to broaden the definition of a community-based organization, coupled with the funding request for one million dollars, the CBED program of DBEDT can assist Hawaii's vital community-based entities of our economy to grow and become sustainable.

Thank you for the opportunity to provide testimony.