

JAN 21 2022

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# A BILL FOR AN ACT

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RELATING TO SMALL BUSINESS LOANS.

**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 title 13 be appropriately designated and  
3 to read as follows:

4           **"CHAPTER A. HAWAII START-UP BUSINESS LOAN PROGRAM**

5           **§A-1 Definitions.** As used in this chapter:

6           "Department" means the department of business, economic  
7 development, and tourism.

8           "Division" means the business development and support  
9 division of the department of business, economic development,  
10 and tourism.

11          "Financial institution" means any organization authorized  
12 to do business under state or federal laws relating to financial  
13 institutions, including without limitation, banks, savings  
14 banks, savings and loan companies or associations, financial  
15 services loan companies, and credit unions.

16          "Program" means the Hawaii start-up business loan program.

17          "Start-up business" means a business that:



- 1 (1) Is registered in the State;
- 2 (2) Has been in business for three years or less; and
- 3 (3) Fulfills the qualifications established by the
- 4 division to receive a start-up business loan under
- 5 this chapter.

6 **§A-2 Hawaii start-up business loan program.** There is  
7 established a Hawaii start-up business loan program that shall  
8 be administered by the division in coordination with the Hawaii  
9 technology development corporation.

10 **§A-3 Functions, powers, and duties of the division.** In  
11 the performance of, and with respect to, the functions, powers,  
12 and duties vested in the division by this chapter, the division  
13 may:

- 14 (1) Prescribe rules and regulations to carry out this
- 15 chapter; and
- 16 (2) Perform all functions necessary to effectuate the
- 17 purposes of this chapter.

18 **§A-4 Rules and regulations.** The rules and regulations  
19 shall:

- 20 (1) Prescribe the qualifications for eligibility of
- 21 applicants for loans;



- 1           (2)   Establish preferences and priorities in determining  
2                   eligibility for loans;
- 3           (3)   Establish the conditions, consistent with the purposes  
4                   of this chapter, for the granting or for the  
5                   continuance of a grant of a loan; and
- 6           (4)   Provide for inspection, at reasonable hours, of the  
7                   plant, books, and records of an enterprise that has  
8                   applied for or has been granted a loan, and to require  
9                   the submission of progress and final reports.

10           **§A-5 Direct loans, terms, and restrictions.** (a) The  
11 division may make loans to start-up business concerns for the  
12 financing of working capital, construction or improvement of  
13 facilities, and equipment. The loans shall not be made in  
14 conjunction with any loans made or grants awarded by the  
15 division. Where the loans made by the division are secured, the  
16 security may be subordinated to the loans made by other  
17 financial institutions, when the subordination is required to  
18 obtain loans from those institutions. The necessity for and the  
19 extent of security required in any loan shall be determined by  
20 the division.



1 (b) The foregoing powers shall be subject to the following  
2 restrictions and limitations:

3 (1) No loan shall be granted unless financial assistance  
4 is not available to the applicant; provided that the  
5 condition may be waived by the division for  
6 participation loans or loan guarantees with a private  
7 financial institution;

8 (2) The amount of the loan shall in no case exceed a total  
9 of \$10,000;

10 (3) No loan shall be made for a term exceeding six years;

11 (4) Each loan shall bear simple interest at a rate of four  
12 per cent per annum; and

13 (5) The payment of interest on the principal of a loan may  
14 be deferred by the division, but in no event shall  
15 interest payments be deferred in excess of twenty-four  
16 months from the date of issuance of the loan.

17 (c) The division may contract with any financial  
18 institution for services, including servicing or administering  
19 loans pursuant to this section.

20 **§A-6 Start-up business loan program special fund. (a)**

21 There is established in the state treasury the Hawaii start-up



1 business loan program special fund, into which shall be  
2 deposited appropriations made by the legislature to the fund.

3 (b) Moneys in the Hawaii start-up business loan program  
4 special fund shall be administered by the department and shall  
5 be used for providing loans to start-up businesses.

6 (c) All unexpected and unencumbered moneys remaining in  
7 the start-up business loan program special fund at the close of  
8 each fiscal year shall not lapse to the credit of the state  
9 general fund.

10 (d) The department may contract with any financial  
11 institution for services including the day to day management of  
12 the fund pursuant to this section.

13 **§A-7 Reports.** The department shall submit a report to the  
14 legislature on the division's activities in administering the  
15 loan program no later than twenty days prior to the convening of  
16 each regular session beginning with the regular session of 2023.  
17 The report shall include:

- 18 (1) A description and uses of the loan program;  
19 (2) A summary of information and analytical data  
20 concerning the implementation of the loan program; and  
21 (3) Repayments made."



1       SECTION 2. There is appropriated out of the funds received  
2 by the State from the American Rescue Plan Act, Public Law 117-  
3 2, Section 9901, the sum of \$500,000 or so much thereof as may  
4 be necessary for fiscal year 2022-2023 to be deposited into the  
5 Hawaii start-up business loan program special fund.

6       The sum appropriated shall be expended by the department of  
7 business, economic development, and tourism for the purposes of  
8 this Act.

9       SECTION 3. There is appropriated out of the Hawaii start-  
10 up business loan program special fund the sum of \$500,000  
11 or so much thereof as may be necessary for fiscal year 2022-2023  
12 for the purpose of implementing the Hawaii start-up business  
13 loan program and to provide loans under the program.

14       The sum appropriated shall be expended by the business  
15 development and support division of the department of business,  
16 economic development, and tourism for the purposes of this Act.

17       SECTION 4. If any provision of this Act, or the  
18 application thereof to any person or circumstance, is held  
19 invalid, the invalidity does not affect other provisions or  
20 applications of the Act that can be given effect without the

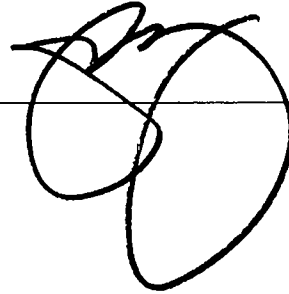


1 invalid provision or application, and to this end the provisions  
2 of this Act are severable.

3 SECTION 5. This Act shall take effect upon its approval.

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INTRODUCED BY: \_\_\_\_\_

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# S.B. NO. 2805

**Report Title:**

Hawaii Start-up Business Loan Program; Start-up Business Loan Program Special Fund; Department of Business, Economic Development, and Tourism; Hawaii Technology Development Corporation; Appropriation

**Description:**

Creates the Hawaii Start-up Business Loan Program to be administered by the Business Development and Support Division of the Department of Business, Economic Development, and Tourism, in coordination with the Hawaii Technology Development Corporation. Establishes the Hawaii Start-up Business Loan Program Special Fund. Makes an appropriation.

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

