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# A BILL FOR AN ACT

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 to be appropriately designated  
3 and to read as follows:

4                               "CHAPTER

5                               HAWAII START-UP BUSINESS LOAN PROGRAM

6       § -1 Definitions. As used in this chapter:

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

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

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



1 "Fund" means the Hawaii start-up business loan program  
2 revolving fund.

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

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

5 (1) Is registered in the State;

6 (2) Has been in business for three years or less; and

7 (3) Fulfills the qualifications established by the  
8 division to receive a start-up business loan under  
9 this chapter.

10 § -2 Hawaii start-up business loan program. There is  
11 established a Hawaii start-up business loan program that shall  
12 be administered by the division in coordination with the Hawaii  
13 technology development corporation.

14 § -3 Functions, powers, and duties of the division. In  
15 the performance of, and with respect to, the functions, powers,  
16 and duties vested in the division by this chapter, the division  
17 may:

18 (1) Prescribe rules and regulations to carry out this  
19 chapter; and

20 (2) Perform all functions necessary to effectuate the  
21 purposes of this chapter.



1           § -4 Rules and regulations. The rules and regulations  
2 shall:

3           (1) Prescribe the qualifications for eligibility of  
4 applicants for loans;

5           (2) Establish preferences and priorities in determining  
6 eligibility for loans;

7           (3) Establish the conditions, consistent with the purposes  
8 of this chapter, for the granting or for the  
9 continuance of a grant of a loan; and

10          (4) Provide for inspection, at reasonable hours, of the  
11 plant, books, and records of an enterprise that has  
12 applied for or has been granted a loan, and to require  
13 the submission of progress and final reports.

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



1 obtain loans from those institutions. The necessity for and the  
2 extent of security required in any loan shall be determined by  
3 the division.

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

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

11 (2) The amount of the loan shall in no case exceed a total  
12 of \$20,000;

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

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

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



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

**§ -6 Start-up business loan program revolving fund.** (a) There is established in the state treasury the Hawaii start-up business loan program revolving fund, into which shall be deposited:

- (1) Appropriations made by the legislature to the fund;
- (2) Moneys received as repayments of loans; and
- (3) Payments of any interest.

(b) Moneys in the fund shall be administered by the department and shall be used for providing loans to start-up businesses.

(c) All unexpected and unencumbered moneys remaining in the fund at the close of each fiscal year shall not lapse to the credit of the state general fund.

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

**§ -7 Reports.** The department shall submit a report to the legislature on the division's activities in administering



1 the program no later than twenty days prior to the convening of  
2 each regular session beginning with the regular session of 2023.

3 The report shall include:

4 (1) A description and uses of the program;

5 (2) A summary of information and analytical data  
6 concerning the implementation of the program; and

7 (3) Repayments made."

8 SECTION 2. There is appropriated out of the funds received  
9 by the State from the American Rescue Plan Act, Public Law  
10 117-2, Section 9901, the sum of \$500,000 or so much thereof as  
11 may be necessary for fiscal year 2022-2023 to be deposited into  
12 the Hawaii start-up business loan program revolving fund  
13 established pursuant to section -6 in section 1 of this Act.

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

17 SECTION 3. There is appropriated out of the Hawaii start-  
18 up business loan program revolving fund the sum of \$500,000 or  
19 so much thereof as may be necessary for fiscal year 2022-2023  
20 for the purpose of implementing the Hawaii start-up business  
21 loan program and to provide loans under the program.



1       The sum appropriated shall be expended by the business  
2       development and support division of the department of business,  
3       economic development, and tourism for the purposes of this Act.

4       SECTION 4. If any provision of this Act, or the  
5       application thereof to any person or circumstance, is held  
6       invalid, the invalidity does not affect other provisions or  
7       applications of the Act that can be given effect without the  
8       invalid provision or application, and to this end the provisions  
9       of this Act are severable.

10       SECTION 5. This Act shall take effect on July 1, 2022.



**Report Title:**

Hawaii Start-Up Business Loan Program; Start-Up Business Loan Program Revolving Fund; Department of Business, Economic Development, and Tourism; Business Development and Support Division; 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 Revolving Fund. Makes an appropriation. (SD1)

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