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GOVERNOR

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EXECUTIVE DIRECTOR

HAWAII GREEN INFRASTRUCTURE AUTHORITY

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Testimony of
Gwen Yamamoto Lau
Executive Director
before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT
Friday, February 11, 2022
Time: 10:00 A.M.
State Capitol, Conference Room No. 312 & Videoconference

In consideration of
HOUSE BILL NO. 2439
RELATING TO SMALL BUSINESS LOANS

Chair Quinlan, Vice Chair Holt, and Members of the Committee on Economic Development:

Thank you for the opportunity to testify and provide comments on House Bill 2439, relating to small business loans. This bill proposes to establish a Hawaii Start-Up Business Loan Program to make micro-loans to near bankable new businesses. The Hawaii Green Infrastructure Authority (“HGIA”) **supports** this bill.

While the COVID-19 pandemic has sparked the entrepreneurial spirit across the country with a record 1.4 million of Americans filing applications to start a new business through September 2021,¹ many of these new business owners are having difficulty accessing capital at reasonable rates and terms. The Hawaii Start-up Business Loan Program can help address this obstacle and provide micro-loans to eligible businesses.

Hawaii has a number of non-depository Community Development Financial Institutions (“CDFI”) and Nonprofit Loan Funds with existing micro-loan programs that could be tapped to administer The Hawaii Start-up Business Loan Program. HGIA respectfully requests that the definition of “Financial institution” be expanded to also include Community Development Financial Institutions and Nonprofit Loan Funds.

Thank you for this opportunity to testify and provide comments in support of HB 2439.

¹ Moneywatch, “Where are all the workers?” October 21, 2021.



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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CHUNG I. CHANG
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Statement of
MIKE MCCARTNEY
Director

Department of Business, Economic Development, and Tourism
before the

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

Friday, February 11, 2022

10:00 am

State Capitol, Via Videoconference
Conference Room 312

In consideration of

HB 2439

RELATING TO SMALL BUSINESS LOANS.

Chair Quinlan, Vice Chair Holt and members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) supports HB 2439, which creates the Hawaii Start-up Business Loan Program, and offers the following comments:

- DBEDT currently offers business loans through the Community-Based Economic Development (CBED) program. These loans tend to be for business expansions and usually range from \$50,000 to \$100,000. This new loan program designed for start-up companies could fill a market need below these levels not only with working capital and equipment, but also with establishing a business credit history. This would help companies that later might apply for a CBED or other loan for business expansion.
- DBEDT would like to request the following amendments:
 1. On page 1, line 15, add "Community Development Financial Institutions (CDFIs)" and "non-profit loan funds" to the list of financial institutions.
 2. On page 4, line 9, change \$10,000 to \$20,000 to allow for more flexibility to assist qualified companies.
- We support this bill provided that its passage does not replace or adversely impact priorities indicated in our Executive Budget.

Thank you for the opportunity to testify.

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT
ON
HOUSE BILL NO. 2439

February 11, 2022
10:00 a.m.
Room 312 and Videoconference

RELATING TO SMALL BUSINESS LOANS

The Department of Budget and Finance (B&F) offers comments on this bill.

House Bill (H.B.) No. 2439 amends Title 13, HRS, by: adding a new chapter to create the Hawai'i Start-up Business Loan Program (HSBLP) to be administered by the Department of Business, Economic Development and Tourism's (DBEDT) Business Development and Support Division (BDSD) in coordination with the Hawai'i Technology Development Corporation; establishing the HSBLP Special Fund (HSBLPSF); and appropriating \$500,000 in federal funds received from the American Rescue Plan (ARP) Act for FY 23 to be deposited into the HSBLPSF.

The measure provides that loans issued by BDSD under the HSBLP may be used for the financing of working capital, construction or improvement of facilities, and equipment. The measure further outlines the restrictions and limitations of the HSBLP.

As a matter of general policy, B&F does not support the creation of any special fund which does not meet the requirements of Section 37-52.3, HRS. Special funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be implemented successfully under the general

fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. Regarding H.B. No. 2439, it is difficult to determine whether the proposed special fund would be self-sustaining as there does not appear to be any significant source of revenues to support the HSBLPSF aside from appropriations from the Legislature.

B&F notes that a loan program such as the proposed HSBLP is better suited for a revolving fund rather than a special fund, and that H.B. No. 2439 does not currently include any language relating to the receipt and deposit of funds back into the HSBLPSF received as payment for any principal and interest for loans issued under the HSBLP.

Finally, B&F notes that H.B. No. 2439 proposes to seed the HSBLP with ARP funds. It should be pointed out that the Treasury guidelines make use of ARP Coronavirus State Fiscal Relief Fund (CSFRF) monies to seed loan funds highly impractical. There are extensive (and onerous) tracking and reporting requirements, and all of the CSFRF monies must be completely expended by December 31, 2026 or else be returned to the federal government.

Thank you for your consideration of our comments.



**Testimony to the House Committee on Economic Development
Friday, February 11, 2022, at 10:00 A.M.
Conference Room 312 & Videoconference**

RE: HB 2439 Relating to Small Business Loans

Chair Quinlan, Vice Chair Holt, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **strongly supports** HB 2439, which 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 Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

The COVID-19 pandemic hurt our economy on almost every scale, but it arguably hurt our entrepreneur and start-up community the most. With uncertainty still around the pandemic and when business would be able to operate normally, risk takers in our start-up space put their plans on pause.

Even with the Omicron variant still lingering in our State, the Chamber of Commerce Hawaii has heard from more and more of our small businesses and entrepreneurs that they are ready to take the leap into their start-up, but they lack the resources to do so.

The Hawaii Start-up Business Loan Program comes at the right time for our business community to continue growth and spur our economy. The Chamber of Commerce Hawaii strongly supports this bill and supports the State of Hawaii assisting our start-up community.

Thank you for the opportunity to testify.



Written Statement of
Len Higashi
Acting Executive Director
Hawaii Technology Development Corporation
before the
HOUSE COMMITTEE ECONOMIC DEVELOPMENT



Friday, February 11, 2022
10:00 a.m.
Videoconference

In consideration of
HB2439
RELATING TO SMALL BUSINESS LOANS.

Chair Quinlan, Vice Chair Holt and Members of the Committee.

The Hawai'i Technology Development Corporation (HTDC) **supports** the intent of HB2439 that 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 Hawai'i Technology Development Corporation and establishes the Hawai'i Start-up Business Loan Program Special Fund with an appropriation.

HTDC supports initiatives aimed at accelerating the growth of tech and manufacturing start-up businesses. Currently, in partnership with DBEDT and the Hawai'i Green Infrastructure Authority, HTDC is preparing to establish the federal State Small Business Credit Initiative (SSBCI), a multi-year program that will help small businesses access capital in the form of loans and investments. The Start-up business loan program has synergies with the SSBCI. HTDC looks forward to working with DBEDT on both programs. HTDC defers to the Department on the resources required and technical aspects of implementing this bill.

HTDC supports this request provided it does not supplant the Governor's priorities in the Administrative budget. Thank you for the opportunity to offer these comments.



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TO: Committee on Economic Development
Rep. Sean Quinlan, Chair
Rep. Daniel Holt, Vice Chair

LATE

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: February 11, 2022
TIME: 10am
PLACE: Via Videoconference

RE: HB2439 Relating to Small Business Loans

Position: Support

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, and distributors of food and beverage related products in the State of Hawaii.

HFIA is in support of this measure to create 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.

The ongoing COVID-19 pandemic and the economic crisis it caused in our state have demonstrated the need for a diversified local economy built on strong local foundations. Enabling new start-up businesses in our state is an important way to accomplish these goals and support a circular economy. The Hawaii Technology Development Corporation is already a valuable resource for our local business community and is the ideal partner for this program. We encourage you to pass this measure and we thank you for the opportunity to testify.