



# DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

DAVID Y. IGE  
GOVERNOR

MIKE MCCARTNEY  
DIRECTOR

CHUNG I. CHANG  
DEPUTY DIRECTOR

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Statement of  
**MIKE MCCARTNEY**  
Director

Department of Business, Economic Development, and Tourism  
before the  
**HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT**

Wednesday, March 16, 2022  
10:00 am

State Capitol, Conference Room 312 & Videoconference

In consideration of  
**SB2805, SD2**  
**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 SB2805, SD2, 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.

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.



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#### **Executive Officers**

**Charlie Gustafson**, Tamura Super Market, *Chair*  
**Eddie Asato**, Pint Size Hawaii, *Vice Chair*  
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**Lauren Zirbel**, HFIA, *Executive Director*  
**John Schliff**, Rainbow Sales and Marketing, *Advisor*  
**Stan Brown**, Acosta Sales & Marketing, *Advisor*  
**Paul Kosasa**, ABC Stores, *Advisor*  
**Derek Kurisu**, KTA Superstores, *Advisor*  
**Toby Taniguchi**, KTA Superstores, *Advisor*  
**Joe Carter**, Coca-Cola Bottling of Hawaii, *Immediate Past Chair*

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

**FROM:** HAWAII FOOD INDUSTRY ASSOCIATION  
Lauren Zirbel, Executive Director

**DATE:** March 16, 2022  
**TIME:** 10am  
**PLACE:** Via Videoconference

**RE:** SB2805 SD2 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.



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

Wednesday, March 16, 2022  
10:00 a.m.  
Videoconference

In consideration of  
**SB2805, SD2**  
**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 SB2805, SD2 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 Revolving Fund with an appropriation and requires DBEDT to submit an annual report to the Legislature on the program's utilization and administration.

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.

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  
SENATE BILL NO. 2805, S.D. 2

**March 16, 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.

Senate Bill (S.B.) No. 2805, S.D. 2, 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 Revolving Fund (HSBLPRF); appropriating an unspecified amount of general funds for FY 23 to be deposited into the HSBLPRF; and appropriating an unspecified amount out of the HSBLPRF for the purposes of this measure.

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.

B&F notes that, with respect to the general fund appropriation in this bill, the federal Coronavirus Response and Relief Supplemental Appropriations Act requires that

states receiving Elementary and Secondary School Emergency Relief (ESSER) II funds and Governor's Emergency Education Relief II funds must maintain state support for:

- Elementary and secondary education in FY 22 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

Further, the federal American Rescue Plan (ARP) Act requires that states receiving ARP ESSER funds must maintain state support for:

- Elementary and secondary education in FY 22 and FY 23 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 and FY 23 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

The U.S. Department of Education has issued rules governing how these maintenance of effort (MOE) requirements are to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawai'i complies with these ESSER MOE requirements.

Finally, as a matter of general policy, B&F does not support the creation of any revolving fund which does not meet the requirements of Section 37-52.4, HRS.

Revolving 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 S.B. No. 2805, S.D. 2, it is difficult to determine whether the proposed revolving fund would be self-sustaining.

Thank you for your consideration of our comments.

**SB-2805-SD-2**

Submitted on: 3/14/2022 1:40:49 PM

Testimony for ECD on 3/16/2022 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Jennifer Azuma Chrupalyk	Individual	Support	Written Testimony Only

Comments:

Please be very specific about the language in this bill. Remember that businesses who are starting up do not have a prior year's accounting to submit. I lost a lot of grants this year from the Office of Economic Development because I did not have records from prior years of business.

In all honesty, if I had records of prior business years, my business would have had to been either illegal or I wouldn't be an aspiring business owner. Please keep little facts like this in mind when writing the language of the grant program. Also, it would be beneficial to make a short video that explains how this program will work.