



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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Statement of
MIKE MCCARTNEY
Director

Department of Business, Economic Development, and Tourism
before the

SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT AND TOURISM

Friday, January 28, 2022
3:00 pm

State Capitol, Conference Room 224 & Videoconference

In consideration of
SB2805
RELATING TO SMALL BUSINESS LOANS.

Chair Wakai, Vice Chair Misalucha and members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) supports SB2805, 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)" 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.

Thank you for the opportunity to testify.



Written Statement of
Len Higashi
Acting Executive Director
Hawaii Technology Development Corporation
before the
**SENATE COMMITTEE ON ENERGY, ECONOMIC
DEVELOPMENT, AND TOURISM**

Friday, January 28, 2022
3:00 p.m.
Videoconference

In consideration of
SB2805
RELATING TO SMALL BUSINESS LOANS

Chair Wakai, Vice Chair Misalucha and Members of the Committee.

The Hawai'i Technology Development Corporation (HTDC) **supports** the intent of SB2805 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.

Thank you for the opportunity to offer these comments.



DAVID Y. IGE
GOVERNOR

GWEN S. YAMAMOTO LAU
EXECUTIVE DIRECTOR

HAWAII GREEN INFRASTRUCTURE AUTHORITY

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Testimony of
Gwen Yamamoto Lau
Executive Director
before the
SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT & TOURISM
Friday, January 28, 2022
Time: 3:00 P.M.
State Capitol, Conference Room No. 224 & Videoconference

In consideration of
SENATE BILL NO. 2805
RELATING TO SMALL BUSINESS LOANS

Chair Wakai, Vice Chair Misalucha, and Members of the Committee on Energy, Economic Development & Tourism:

Thank you for the opportunity to testify and provide comments on Senate Bill 2805, 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 SB 2805.

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

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 SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND
TOURISM
ON
SENATE BILL NO. 2805

January 28, 2022
3:00 p.m.
Room 224 & 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 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 S.B. No. 2805, 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 S.B. No. 2805 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.

B&F also notes that S.B. No. 2805 proposes to seed the HSBLP with ARP funds; however, the State has already appropriated, allocated, awarded, and/or otherwise committed the total \$1.6 billion in ARP funds received by the State.

Thank you for your consideration of our comments.



Chamber of Commerce HAWAII

The Voice of Business

Testimony to the Senate Committee on Energy, Economic Development, and Tourism

Friday, January 28, 2022, at 3:00 P.M.
Conference Room 224 & Videoconference

RE: SB 2805 Relating to Small Business Loans

Chair Wakai, Vice Chair Misalucha, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** SB 2805, 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.

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 businesses 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 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 strongly supports this bill and supports the State of Hawaii assisting our start-up community.

Thank you for the opportunity to testify.



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Executive Officers

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Toby Taniguchi, KTA Superstores, *Advisor*
Joe Carter, Coca-Cola Bottling of Hawaii, *Immediate Past Chair*

TO: Committee on Energy, Economic Development, and Tourism
Senator Glenn Wakai, Chair
Senator Bennette E. Misalucha, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: Friday, January 28, 2022
TIME: 3pm
PLACE: Via Videoconference

RE: SB2805 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.



Testimony to the Senate Committee on Energy, Economic Development, & Tourism
Friday, January 28, 2022
3:00 pm
Via Videoconference

In Support of SB 2805, Relating to Small Business Loans

To: The Honorable Glenn Wakai, Chair
The Honorable Bennette Misalucha, Vice-Chair
Members of the Committee

My name is Stefanie Sakamoto, and I am testifying on behalf of the Hawaii Credit Union League, the local trade association for 48 Hawaii credit unions, representing over 867,000 credit union members across the state.

We are in support of SB 2805, Relating to Small Business Loans. This bill would 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, and establishes the Hawaii Start-up Business Loan Program Special Fund.

Credit unions in Hawaii have long supported efforts made by the Legislature to promote asset building and personal & professional development in Hawaii. This bill would provide our small business start-up community with the opportunity to receive funding.

Thank you for the opportunity to provide comments on this issue.