

**DEPARTMENT OF BUSINESS,  
ECONOMIC DEVELOPMENT & TOURISM**  
KA 'OIHANA HO'OMOHALA PĀ'OIHANA, 'IMI WAIWAI  
A HO'OMĀKA'IKA'I

**JOSH GREEN, M.D.**  
GOVERNOR

**CHRIS J. SADAYASU**  
DIRECTOR

**DANE K. WICKER**  
DEPUTY DIRECTOR

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Statement of  
**CHRIS J. SADAYASU**  
Director  
Department of Business, Economic Development, and Tourism  
before the  
**SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM**  
Thursday, February 2, 2023  
1:00 PM  
State Capitol, Conference Room 229  
In consideration of  
**SB 706**  
**RELATING TO SMALL BUSINESS LOANS.**

Chair DeCoite, Vice Chair Wakai and members of the Committee. The Department of Business, Economic Development and Tourism (DBEDT) offers the following comments to SB706, which creates the Hawaii Start-up Business Loan Program:

- 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 before these levels and assist companies 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.
- On page 1, line A 14, add "Community Development Financial Institutions (CDFIs)" to the list of financial institutions.
- On page 4, line 11, change \$10,000 to \$20,000 to allow for more flexibility to assist qualified companies.
- DBEDT will also require the creation of a business loan officer position within the Business Support Branch (BSB). Currently, the BSB is at capacity in administering loans through the CBED loan program. DBEDT requests an additional \$95,000 be included in the bill for a new position provided that it does not replace or adversely impact priorities indicated in the Executive Budget.

Thank you for the opportunity to testify.



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

Thursday, February 2, 2022  
1:00 p.m.  
Conference Room 229 and Videoconference

In consideration of  
**SB706**  
**RELATING TO SMALL BUSINESS LOANS.**

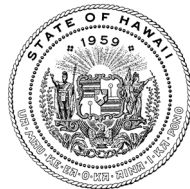
Chair DeCoite, Vice Chair Wakai and Members of the Committee.

The Hawai'i Technology Development Corporation (HTDC) **offers comments** on SB706 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 (DBEDT), 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 administering 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. DBEDT currently offers business loans through the Community-Based Economic Development (CBED) program. The Start-up business loan program has synergies with the SSBCI and could compliment the CBED program.

HTDC looks forward to working with DBEDT on both programs. HTDC defers to DBEDT on the resources required and technical aspects of implementing this bill. Thank you for the opportunity to offer these comments.

JOSH GREEN, M.D.  
GOVERNOR



LUIS P. SALAVERIA  
DIRECTOR

SABRINA NASIR  
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**  
*Ka 'Oihana Mālama Mo'ohelu a Kālā*  
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ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT

**WRITTEN ONLY**  
TESTIMONY BY LUIS P. SALAVERIA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT,  
AND TOURISM  
ON  
SENATE BILL NO. 706

**February 2, 2023**  
**1:00 p.m.**  
**Room 229 and Videoconference**

**RELATING TO SMALL BUSINESS LOANS**

The Department of Budget and Finance (B&F) offers comments on Senate Bill (S.B.) No. 706, which establishes the Hawai'i Start-Up Business Loan Program (HSBLP) to be administered by the Department of Business, Economic Development and Tourism (DBEDT), in coordination with the Hawai'i Technology Development Corporation; establishes the HSBLP Special Fund (HSBLPSF); appropriates \$500,000 of funds from the American Rescue Plan Act (ARPA) of 2021 for FY 24 and the same amount for FY 25 to be deposited into the HSBLPSF; and appropriates \$500,000 for FY 24 and the same amount for FY 25 out of the HSBLPSF to issue loans as provided for by the program.

B&F defers to DBEDT on the implementation and administration of the proposed HSBLP but points out that the entire balance of ARPA funds allocated to and received by the State from the Coronavirus State Fiscal Recovery Fund (CSFRF) have been encumbered, expended, or otherwise committed. Additionally, the use of CSFRF funds

is subject to specific qualifications and extensive federal reporting requirements; thus, B&F recommends that an appropriation of general funds would be more appropriate. Finally, as a loan program, the HSBLP as described seems to better align with the definition of a revolving fund, though B&F points out that S.B. No. 706 does not include language addressing the deposit of revenues received as repayment for principal and interest of any loans issued under the HSBLP.

As a matter of general policy, B&F does not support the creation of any special fund or revolving fund which does not meet the requirements of Section 37-52.3 or Section 37-52.4, HRS. Special and 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. 706, 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.

Thank you for your consideration of our comments.

**SB-706**

Submitted on: 1/31/2023 1:20:48 PM

Testimony for EET on 2/2/2023 1:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Douglass S. Adams	Testifying for Research and Development, County of Hawaii	Support	Written Testimony Only

Comments:

Honorable Chair DeCoite, Honorable Vice Chair Wakai, and Members of the Committee on Energy, Economic Development, and Tourism:

Hawaii County supports SB706. This bill clearly supports our efforts to encourage entrepreneurship and economic diversification and resilience on Hawaii Island. We strongly request the Committee forward SB706 to the Senate with a positive recommendation for passage.

Thank you for the opportunity to testify.

very respectfully

Douglass S. Adams

Director, Department of Research & Development, County of Hawaii



Chamber of Commerce HAWAII  
*The Voice of Business*

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

**Thursday, February 2, 2023, at 1:00 P.M.  
Conference Room 229 & Videoconference**

**RE: SB 706 Relating to Small Business Loans**

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

The Chamber of Commerce Hawaii ("The Chamber") **strongly supports** SB 706, 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, supply chain issues, and inflation have hurt our economy and many businesses on almost every scale. This also includes the start-up industry. However, even with inflation and an economy that has not yet gotten back to pre-pandemic levels, the Chamber of Commerce Hawaii has heard from many 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.



# RIGHT TO START

To: Senate Committee on Energy, Economic Development & Tourism  
Senator Lynn DeCoite, Chair  
Senator Glenn Wakai, Vice Chair

From: Right to Start  
Jason Grill, Head of Government Affairs

Date: Thursday, February 2nd, 2023

Time: 1:00 pm

Place: Conference Room 229, State Capitol, 415 South Beretania St. & Via Videoconference

Re: SB706 Relating to Small Business Loans

Position: Support

Right to Start believes in expanding entrepreneurial opportunity for all. We drive civic change through: grassroots organizing and mobilizing, policy advocacy and engagement, and lifting the voices of entrepreneurs through media and storytelling throughout the country. One of the main reasons why is because new businesses and young companies under 5 years of age create the most net new jobs in the United States. Yet government processes and the system overall make it harder for them to start and grow with many barriers. This has added to a startup decline in America over the last 40 years. SB706, sponsored by Senator Glenn Wakai, is a great step for Hawaii to support entrepreneurs when they need it most, in their first 3 years of business.

This is a pro job creation and pro economic growth bill. New businesses create Hawaii jobs and grow GDP, increase incomes and community wealth, and fight inequality and poverty. Every 1% increase in entrepreneurial activity in a state correlates with a 2% decline poverty. Capital is one of the biggest barriers to entry for entrepreneurs and SB706 helps to alleviate some of these concerns for Hawaiian startups.

For these reasons, as well as many more, Right to Start encourages this committee to support this measure and pass it out of the Energy, Economic Development & Tourism Committee and into Hawaii law in 2023.