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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 legislature finds that the COVID-19  
2 pandemic, supply chain issues, and inflation have hurt the  
3 State's economy and local businesses on every level, including  
4 the start-up industry. Despite this, many small businesses and  
5 entrepreneurs are ready to take the leap into starting up a  
6 business but lack the resources to do so, as access to capital  
7 is one of the biggest barriers for start-ups.

8       The legislature further finds that new businesses and young  
9 companies under five years of age create the most new jobs, on  
10 net, in the United States. While the State offers a variety of  
11 financial assistance to start-up businesses in Hawaii, most  
12 assistance is to help existing businesses expand and scale up,  
13 rather than to help successfully launch new businesses.

14       The legislature believes that providing support to local  
15 small businesses and entrepreneurs looking to begin a start-up  
16 could lead to the creation of more jobs in the State.



1       The purpose of this Act is to benefit the local economy and  
2       create new jobs by establishing and appropriating funds for a  
3       Hawaii start-up business loan program to encourage  
4       entrepreneurship, economic diversification, and resilience.

5       SECTION 2. Chapter 210D, Hawaii Revised Statutes, is  
6       amended by adding a new part to be appropriately designated and  
7       to read as follows:

8               **"PART       . HAWAII START-UP BUSINESS LOAN PROGRAM**

9               **\$210D-       Definitions.** As used in this part:

10              "Department" means the department of business, economic  
11       development, and tourism.

12              "Division" means the business development and support  
13       division of the department.

14              "Financial institution" means any organization authorized  
15       to do business under state or federal laws relating to financial  
16       institutions, including but not limited to banks, savings banks,  
17       savings and loan companies or associations, financial services  
18       loan companies, community development financial institutions,  
19       and credit unions.

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

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



- 1 (1) Is registered in the State;
- 2 (2) Has been in business for three years or less; and
- 3 (3) Fulfills the qualifications established by the
- 4 division to receive a start-up business loan under the
- 5 program.

6 **§210D- Hawaii start-up business loan program.** There is

7 established a Hawaii start-up business loan program that shall

8 be administered by the division in coordination with the Hawaii

9 technology development corporation.

10 **210D- Functions, powers, and duties of the division;**

11 **rules.** (a) In the performance of and with respect to the

12 functions, powers, and duties vested in the division by this

13 part, the division may:

- 14 (1) Adopt rules to carry out this part; and
- 15 (2) Perform all functions necessary to effectuate the
- 16 purposes of this part.
- 17 (b) The rules shall:
- 18 (1) Prescribe the qualifications for eligibility of
- 19 applicants for loans;
- 20 (2) Establish preferences and priorities in determining
- 21 eligibility for loans;



1           (3) Establish the conditions, consistent with the purposes  
2           of this part, for the issuance or continuance of  
3           loans; and

4           (4) Provide for inspection at reasonable hours of the  
5           place of business and records of a business that has  
6           applied for or has been issued a loan, and require the  
7           submission of progress and final reports.

8           **§210D- Direct loans; terms and restrictions.** (a) The  
9           division may make loans to address start-up business concerns,  
10          including the financing of working capital, construction or  
11          improvement of facilities, and equipment. The loans pursuant to  
12          this section shall not be made in conjunction with any other  
13          loans made or grants awarded by the division. Where the loans  
14          made by the division are secured, the security may be  
15          subordinated to the loans made by other financial institutions;  
16          provided that the subordination is required to obtain loans from  
17          those institutions. The necessity for and extent of security  
18          required in any loan shall be determined by the division.

19          (b) Loans issued pursuant to this section shall be subject  
20          to the following restrictions and limitations:



- 1           (1) No loan shall be granted unless financial assistance  
2           is not available to the applicant; provided that the  
3           condition may be waived by the division for  
4           participation loans or loan guarantees with a private  
5           financial institution;
- 6           (2) The amount of the loan shall not exceed a total of  
7           \$50,000;
- 8           (3) No loan shall be made for a term exceeding ten years,  
9           to begin on the date the loan is awarded and funding  
10          is disbursed to the applicant;
- 11          (4) No interest shall be charged for the first five years  
12          of the ten-year loan period, or the period prior to  
13          the middle of a loan period of less than ten years,  
14          from the date of the issuance of the loan; provided  
15          that the remainder of the loan period shall be at  
16          market interest rates;
- 17          (5) Upon reaching five years of the ten-year loan period,  
18          or the middle of a loan period of less than ten years,  
19          negotiations shall commence regarding a payment plan  
20          for the remaining loan by the end of the agreed-upon  
21          loan period; provided that the agreement shall be



1           finalized within ninety days of the commencement of  
2           the negotiations; provided further that a report shall  
3           be submitted to the department on the status of the  
4           business, use of the loan, and how the loan has  
5           contributed to the business' growth;

6           (6) Any remaining loan balance made to a small business  
7           that filed and was approved for bankruptcy protection  
8           within ten years of receipt of the loan shall be  
9           forgiven; and

10          (7) No recipient of a loan shall be required to make a  
11          personal guarantee as a condition of receiving a loan.

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

15          **§201D- Hawaii start-up business loan program special**  
16          **fund.** (a) There is established in the state treasury the  
17          Hawaii start-up business loan program special fund, into which  
18          shall be deposited:

19           (1) Appropriations made by the legislature to the fund;

20           (2) Moneys received as repayments of loans; and

21           (3) Payments of loan interest or fees.



1 (b) Moneys in the Hawaii start-up business loan program  
2 special fund shall be administered by the department and shall  
3 be used for providing loans to start-up businesses.

4 (c) All unexpected and unencumbered moneys remaining in  
5 the Hawaii start-up business loan program special fund at the  
6 close of each fiscal year shall not lapse to the credit of the  
7 general fund.

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

11 **§210D- Reports.** The department shall submit a report  
12 to the legislature on the division's activities in administering  
13 the program no later than twenty days prior to the convening of  
14 each regular session beginning with the regular session of 2026.  
15 The report shall include:

- 16 (1) A description and uses of loans from the loan program;  
17 (2) A summary of information and analytical data  
18 concerning the implementation of the loan program; and  
19 (3) Loan repayments made."



1 SECTION 3. Chapter 210D, Hawaii Revised Statutes, is  
2 amended by designating sections 210D-1 to 210D-14 as part I and  
3 inserting a title before section 210D-1 to read as follows:

4 "PART I. COMMUNITY-BASED ECONOMIC DEVELOPMENT PROGRAM".

5 SECTION 4. Sections 210D-1, 210D-2, 210D-4, 210D-7, 210D-  
6 8, 210D-9, 210D-10, 210D-11, 210D-13, and 210D-14, Hawaii  
7 Revised Statutes, are amended by substituting the words "this  
8 part" wherever the words "this chapter" appears, as the context  
9 requires.

10 SECTION 5. There is appropriated out of the general  
11 revenues of the State of Hawaii the sum of \$ or so  
12 much thereof as may be necessary for fiscal year 2025-2026 and  
13 the same sum or so much thereof as may be necessary for fiscal  
14 year 2026-2027 to be deposited into the Hawaii start-up business  
15 loan program special fund established pursuant to section 2 of  
16 this Act.

17 SECTION 6. There is appropriated out of the Hawaii  
18 start-up business loan program special fund the sum of  
19 \$ or so much thereof as may be necessary for fiscal  
20 year 2025-2026 and the same sum or so much thereof as may be  
21 necessary for fiscal year 2026-2027 for the purposes of





1 implementing the Hawaii start-up business loan program and  
2 providing loans under the program.

3 The sums appropriated shall be expended by the department  
4 of business, economic development, and tourism for the purposes  
5 of this Act.

6 SECTION 7. There is appropriated out of the general  
7 revenues of the State of Hawaii the sum of \$ or so  
8 much thereof as may be necessary for fiscal year 2025-2026 and  
9 the same sum or so much thereof as may be necessary for fiscal  
10 year 2026-2027 to fund full-time equivalent ( FTE)  
11 business loan officer position to administer loans under the  
12 Hawaii start-up business loan program.

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

16 SECTION 8. If any provision of this Act, or the  
17 application thereof to any person or circumstance, is held  
18 invalid, the invalidity does not affect other provisions or  
19 applications of the Act that can be given effect without the  
20 invalid provision or application, and to this end the provisions  
21 of this Act are severable.



1 SECTION 9. This Act shall take effect on July 1, 3000.



**Report Title:**

Hawaii Start-Up Business Loan Program; Hawaii Start-up Business Loan Program Special Fund; DBEDT; Business Development and Support Division; HTDC; Report; Appropriation; Positions

**Description:**

Establishes the Hawaii start-up business loan program.  
Establishes the Hawaii start-up business loan program special fund. Requires DBEDT to submit an annual report to the Legislature regarding the program. Appropriates funds.  
Effective 7/1/3000. (HD1)

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