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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 "Start-up business" means a business that:

2 (1) Is registered in the State;

3 (2) Has been in business for three years or less; and

4 (3) Fulfills the qualifications established by the

5 division to receive a start-up business loan under the  
6 program.

7 § -2 **Hawaii start-up business loan program.** There is  
8 established a Hawaii start-up business loan program that shall  
9 be administered by the division in coordination with the Hawaii  
10 technology development corporation.

11 § -3 **Functions, powers, and duties of the division;**

12 **rules.** (a) In the performance of and with respect to the  
13 functions, powers, and duties vested in the division by this  
14 chapter, the division may:

15 (1) Adopt rules to carry out this chapter; and

16 (2) Perform all functions necessary to effectuate the  
17 purposes of this chapter.

18 (b) The rules shall:

19 (1) Prescribe the qualifications for eligibility of  
20 applicants for loans;



1 (2) Establish preferences and priorities in determining  
2 eligibility for loans;

3 (3) Establish the conditions, consistent with the purposes  
4 of this chapter, for the issuance or continuance of  
5 loans; and

6 (4) Provide for inspection at reasonable hours of the  
7 plant, books, and records of an enterprise that has  
8 applied for or has been issued a loan, and require the  
9 submission of progress and final reports.

10 § -4 Direct loans; terms and restrictions. (a) The  
11 division may make loans to address start-up business concerns,  
12 including the financing of working capital, construction or  
13 improvement of facilities, and equipment. The loans pursuant to  
14 this section shall not be made in conjunction with any other  
15 loans made or grants awarded by the division. Where the loans  
16 made by the division are secured, the security may be  
17 subordinated to the loans made by other financial institutions;  
18 provided that the subordination is required to obtain loans from  
19 those institutions. The necessity for and extent of security  
20 required in any loan shall be determined by the division.



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

3 (1) No loan shall be granted unless financial assistance  
4 is not available to the applicant; provided that the  
5 condition may be waived by the division for  
6 participation loans or loan guarantees with a private  
7 financial institution;

8 (2) The amount of the loan shall not exceed a total of  
9 \$50,000;

10 (3) No loan shall be made for a term exceeding ten years,  
11 to begin on the date the loan is awarded and funding  
12 is disbursed to the applicant;

13 (4) No interest shall be charged for the first five years  
14 of the ten-year loan period, or the period prior to  
15 the middle of a loan period of less than ten years,  
16 from the date of the issuance of the loan; provided  
17 that the remainder of the loan period shall be at  
18 market interest rates;

19 (5) Upon reaching five years of the ten-year loan period,  
20 or the middle of a loan period of less than ten years,  
21 negotiations shall commence regarding a payment plan



1 for the remaining loan by the end of the agreed-upon  
2 loan period; provided that the agreement shall be  
3 finalized within ninety days of the commencement of  
4 the negotiations; provided further that a report shall  
5 be submitted to the department on the status of the  
6 business, use of the loan, and how the loan has  
7 contributed to the business' growth;

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

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

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

17 **§ -5 Hawaii start-up business loan program special fund.**

18 (a) There is established in the state treasury the Hawaii  
19 start-up business loan program special fund, into which shall be  
20 deposited:

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



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

2 (3) Payments of loan interest or fees.

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

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

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

13 § -6 **Reports.** The department shall submit a report to  
14 the legislature on the division's activities in administering  
15 the program no later than twenty days prior to the convening of  
16 each regular session beginning with the regular session of 2026.  
17 The report shall include:

18 (1) A description and uses of loans from the loan program;

19 (2) A summary of information and analytical data  
20 concerning the implementation of the loan program; and

21 (3) Loan repayments made."



1 SECTION 3. There is appropriated out of the general  
2 revenues of the State of Hawaii the sum of \$500,000 or so much  
3 thereof as may be necessary for fiscal year 2025-2026 and the  
4 same sum or so much thereof as may be necessary for fiscal year  
5 2026-2027 to be deposited into the Hawaii start-up business loan  
6 program special fund established pursuant to section 2 of this  
7 Act.

8 SECTION 4. There is appropriated out of the Hawaii  
9 start-up business loan program special fund the sum of \$500,000  
10 or so much thereof as may be necessary for fiscal year 2025-2026  
11 and the same sum or so much thereof as may be necessary for  
12 fiscal year 2026-2027 for the purposes of implementing the  
13 Hawaii start-up business loan program and providing loans under  
14 the program.

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

18 SECTION 5. If any provision of this Act, or the  
19 application thereof to any person or circumstance, is held  
20 invalid, the invalidity does not affect other provisions or  
21 applications of the Act that can be given effect without the



1 invalid provision or application, and to this end the provisions  
2 of this Act are severable.

3 SECTION 6. This Act shall take effect on July 1, 2025.

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INTRODUCED BY:



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JAN 17 2025



# H.B. NO. 455

**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

**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.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

