
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 and economic diversification and resilience.

5 SECTION 2. The Hawaii Revised Statutes is amended by
6 adding a new chapter to title 13 to be appropriately designated
7 and to read as follows:

8 **"CHAPTER**

9 **HAWAII START-UP BUSINESS LOAN PROGRAM**

10 § -1 **Definitions.** As used in this chapter:

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

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

15 "Financial institution" means any organization authorized
16 to do business under state or federal laws relating to financial
17 institutions, including, without limitation, banks, savings
18 banks, savings and loan companies or associations, financial
19 services loan companies, community development financial
20 institutions, and credit unions.

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



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

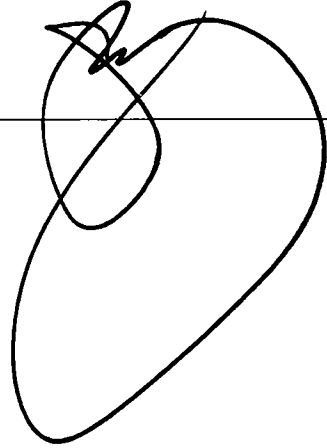


1 invalid provision or application, and to this end the provisions
2 of this Act are severable.

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

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INTRODUCED BY: _____

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S.B. NO. 132

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.

