
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 Hawaii Revised Statutes is amended by
2 adding a new chapter to title 13 to be appropriately designated
3 and to read as follows:

4 "CHAPTER
5 HAWAII START-UP BUSINESS LOAN PROGRAM

6 § -1 Definitions. As used in this chapter:

7 "Department" means the department of business, economic
8 development, and tourism.

9 "Division" means the business development and support
10 division of the department of business, economic development,
11 and tourism.

12 "Financial institution" means any organization authorized
13 to do business under state or federal laws relating to financial
14 institutions, including without limitation, banks, savings
15 banks, savings and loan companies or associations, financial
16 services loan companies, and credit unions.

17 "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
- 6 this chapter.

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

- 15 (1) Prescribe rules and regulations to carry out this
- 16 chapter; and
- 17 (2) Perform all functions necessary to effectuate the
- 18 purposes of this chapter.

19 § -4 **Rules and regulations.** The rules and regulations
20 shall:



- 1 (1) Prescribe the qualifications for eligibility of
- 2 applicants for loans;
- 3 (2) Establish preferences and priorities in determining
- 4 eligibility for loans;
- 5 (3) Establish the conditions, consistent with the purposes
- 6 of this chapter, for the granting or for the
- 7 continuance of a grant of a loan; and
- 8 (4) Provide for inspection, at reasonable hours, of the
- 9 plant, books, and records of an enterprise that has
- 10 applied for or has been granted a loan, and to require
- 11 the submission of progress and final reports.

12 § -5 Direct loans, terms, and restrictions. (a) The

13 division may make loans to start-up business concerns for the

14 financing of working capital, construction or improvement of

15 facilities, and equipment. The loans shall not be made in

16 conjunction with any loans made or grants awarded by the

17 division. Where the loans made by the division are secured, the

18 security may be subordinated to the loans made by other

19 financial institutions; provided that the subordination is

20 required to obtain loans from those institutions. The necessity



1 for and the extent of security required in any loan shall be
2 determined by the division.

3 (b) The foregoing powers shall be subject to the following
4 restrictions and limitations:

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

10 (2) The amount of the loan shall not exceed a total of
11 \$10,000;

12 (3) No loan shall be made for a term exceeding six years;

13 (4) Each loan shall bear simple interest at a rate of four
14 per cent per year; and

15 (5) The payment of interest on the principal of a loan may
16 be deferred by the division, but in no event shall
17 interest payments be deferred in excess of twenty-four
18 months from the date of issuance of the loan.

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



1 § -6 Hawaii start-up business loan program special fund.

2 (a) There is established in the state treasury the Hawaii
3 start-up business loan program special fund, into which shall be
4 deposited appropriations made by the legislature to the fund.

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

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

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

15 § -7 Reports. The department shall submit a report to
16 the legislature on the division's activities in administering
17 the loan program no later than twenty days prior to the
18 convening of each regular session beginning with the regular
19 session of 2024. The report shall include:

20 (1) A description and uses of the loan program;



- 1 (2) A summary of information and analytical data
- 2 concerning the implementation of the loan program; and
- 3 (3) Repayments made."

4 SECTION 2. There is appropriated out of the general
5 revenues of the State of Hawaii the sum of \$ or so
6 much thereof as may be necessary for fiscal year 2023-2024 and
7 the same sum or so much thereof as may be necessary for fiscal
8 year 2024-2025 to be deposited into the Hawaii start-up business
9 loan program special fund.

10 The sums appropriated shall be expended by the department
11 of business, economic development, and tourism for the purposes
12 of this Act.

13 SECTION 3. There is appropriated out of the Hawaii start-
14 up business loan program special fund the sum of \$ or
15 so much thereof as may be necessary for fiscal year 2023-2024
16 and the same sum or so much thereof as may be necessary for
17 fiscal year 2024-2025 for the purpose of implementing the Hawaii
18 start-up business loan program and to provide loans under the
19 program.



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

4 SECTION 4. There is appropriated out of the general
5 revenues of the State of Hawaii the sum of \$ or so
6 much thereof as may be necessary for fiscal year 2023-2024 and
7 the same sum or so much thereof as may be necessary for fiscal
8 year 2024-2025 to fund one full-time equivalent (1.0 FTE) loan
9 officer position within the business support branch of the
10 department of business, economic development, and tourism.

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

14 SECTION 5. If any provision of this Act, or the
15 application thereof to any person or circumstance, is held
16 invalid, the invalidity does not affect other provisions or
17 applications of the Act that can be given effect without the
18 invalid provision or application, and to this end the provisions
19 of this Act are severable.

20 SECTION 6. This Act shall take effect on January 6, 2050.



Report Title:

Hawaii Start-Up Business Loan Program; Hawaii Start-Up Business Loan Program Special Fund; Department of Business, Economic Development, and Tourism; Hawaii Technology Development Corporation; Appropriation

Description:

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. Establishes the Hawaii Start-Up Business Loan Program Special Fund. Makes an appropriation. Effective January 6, 2050. (SD1)

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

