
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 be appropriately designated and
3 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 federal or state laws relating to financial
14 institutions, including without limitation banks, savings banks,
15 savings and loan companies or associations, financial services
16 loan companies, and credit unions.

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



"Start-up business" means a business that:

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

§ -2 Hawaii start-up business loan program; established.

There is established the Hawaii start-up business loan program that shall be administered by the division in coordination with the Hawaii technology development corporation.

§ -3 Functions, powers, and duties of the division. In

the performance of the functions, powers, and duties vested in the division by this chapter, the division may:

- (1) Adopt rules pursuant to chapter 91 to carry out the purposes of this chapter; and
- (2) Perform all functions necessary to effectuate the purposes of this chapter.

§ -4 Rules. The rules shall:

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



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

(3) Establish the conditions, consistent with the purposes of this chapter, for the granting or for the continuance of a grant of a loan; and

(4) Provide for inspection, at reasonable hours, of the plan, books, and records of an enterprise that has applied for or has been granted a loan, and to require the submission of progress and final reports.

§ -5 **Direct loans; terms; and restrictions.** (a) The division may make loans to start-up businesses to finance working capital, construction or improvement of facilities, and equipment. The loans shall not be made in conjunction with any loans made or grants awarded by the division. Where the loans made by the division are secured, the security may be subordinated to the loans made by other financial institutions, when the subordination is required to obtain loans from those institutions. The necessity for and the extent of security required in any loan shall be determined by the division.

(b) This section shall be subject to the following restrictions and limitations:



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

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

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

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

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

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

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

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

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



(2) Moneys derived from interest collected pursuant to section -5(b)(4); and

(3) Gifts, donations, or grants from public agencies or private persons.

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

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

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

§ -7 Reports. The department shall submit a report to the legislature on the division's activities in administering the loan program no later than twenty days prior to the convening of each regular session beginning with the regular session of 2023. The report shall include:

(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 funds received
5 by the State from the American Rescue Plan Act, Public Law 117-
6 2, Section 9901, the sum of \$500,000 or so much thereof as may
7 be necessary for fiscal year 2022-2023 to be deposited into the
8 Hawaii start-up business loan program special fund.

9 SECTION 3. There is appropriated out of the Hawaii start-
10 up business loan program special fund the sum of \$500,000 or so
11 much thereof as may be necessary for fiscal year 2022-2023 for
12 the purpose of implementing the Hawaii start-up business loan
13 program and to provide loans under the program.

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

17 SECTION 4. If any provision of this Act, or the
18 application thereof to any person or circumstance, is held
19 invalid, the invalidity does not affect other provisions or
20 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 5. This Act shall take effect on October 18, 2050.

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H.B. NO. 2439 H.D. 1

Report Title:

Small Businesses; Small Business Loans; Hawaii Start-up Business Loan Program; Start-up Business Loan Program Special Fund; Appropriation

Description:

Establishes the Hawaii start-up business loan program.
Establishes the Hawaii start-up business loan program special fund. Appropriates funds. Effective 10/18/2050. (HD1)

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