



Written Statement of  
**Len Higashi**  
Acting Executive Director  
Hawaii Technology Development Corporation  
before the  
**SENATE COMMITTEE ON WAYS AND MEANS**

Friday, February 18, 2022  
10:00 a.m.  
Videoconference

In consideration of  
**SB2805, SD1**  
**RELATING TO SMALL BUSINESS LOANS.**

Chair Dela Cruz, Vice Chair Keith-Agaran and Members of the Committee.

The Hawai'i Technology Development Corporation (HTDC) **supports** the intent of SB2805, SD1 that 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 Hawai'i Technology Development Corporation and establishes the Hawai'i Start-up Business Loan Program Special Fund with an appropriation.

HTDC supports initiatives aimed at accelerating the growth of tech and manufacturing start-up businesses. Currently, in partnership with DBEDT and the Hawai'i Green Infrastructure Authority, HTDC is preparing to establish the federal State Small Business Credit Initiative (SSBCI), a multi-year program that will help small businesses access capital in the form of loans and investments. The Start-up business loan program has synergies with the SSBCI. HTDC looks forward to working with DBEDT on both programs. HTDC defers to the Department on the resources required and technical aspects of implementing this bill.

HTDC supports this request provided it does not supplant the Governor's priorities in the Administrative budget. Thank you for the opportunity to offer these comments.

DAVID Y. IGE  
GOVERNOR



CRAIG K. HIRAI  
DIRECTOR

GLORIA CHANG  
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
OFFICE OF THE PUBLIC DEFENDER

**STATE OF HAWAII**  
**DEPARTMENT OF BUDGET AND FINANCE**  
P.O. BOX 150  
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ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND  
MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

**WRITTEN ONLY**  
**TESTIMONY BY CRAIG K. HIRAI**  
**DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE**  
**TO THE SENATE COMMITTEE ON WAYS AND MEANS**  
**ON**  
**SENATE BILL NO. 2805, S.D. 1**

**February 18, 2022**  
**10:00 a.m.**  
**Room 211 and Videoconference**

**RELATING TO SMALL BUSINESS LOANS**

The Department of Budget and Finance (B&F) offers comments on this bill.

Senate Bill (S.B.) No. 2805, S.D. 1, amends Title 13, HRS, by: adding a new chapter to create the Hawai'i Start-up Business Loan Program (HSBLP) to be administered by the Department of Business, Economic Development and Tourism's (DBEDT) Business Development and Support Division (BDSD) in coordination with the Hawai'i Technology Development Corporation; establishing the HSBLP Revolving Fund (HSBLPRF); appropriating \$500,000 in federal funds received from the American Rescue Plan (ARP) Act for FY 23 to be deposited into the HSBLPRF; and appropriating \$500,000 out of the HSBLPRF for the purposes of this measure.

The measure provides that loans issued by BDSD under the HSBLP may be used for the financing of working capital, construction or improvement of facilities, and equipment. The measure further outlines the restrictions and limitations of the HSBLP.

As a matter of general policy, B&F does not support the creation of any revolving fund which does not meet the requirements of Section 37-52.4, HRS. Revolving funds should: 1) serve a need as demonstrated by the purpose, scope of work and an

explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. Regarding S.B. No. 2805, S.D. 1, it is difficult to determine whether the proposed revolving fund would be self-sustaining.

Finally, B&F notes that S.B. No. 2805, S.D. 1, proposes to seed the HSBLP with ARP funds. It should be pointed out that U.S. Treasury guidelines make use of ARP Coronavirus State Fiscal Recovery Funds (CSFRF) monies to seed loan funds highly impractical. There are extensive (and onerous) tracking and reporting requirements, and all of the CSFRF monies must be completely expended by December 31, 2026, or else be returned to the federal government.

Thank you for your consideration of our comments.



DAVID Y. IGE  
GOVERNOR

MIKE MCCARTNEY  
DIRECTOR

CHUNG I. CHANG  
DEPUTY DIRECTOR

## DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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Statement of  
**MIKE MCCARTNEY**  
Director

Department of Business, Economic Development, and Tourism  
before the  
**SENATE COMMITTEE ON WAYS AND MEANS**

Friday, February 18, 2022  
10:00 am

State Capitol, Conference Room 211 & Videoconference

In consideration of  
**SB2805, SD1**  
**RELATING TO SMALL BUSINESS LOANS.**

Chair Dela Cruz, Vice Chair Keith-Agaran and members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) supports SB2805, SD1, which creates the Hawaii Start-up Business Loan Program, and offers the following comments:

- DBEDT currently offers business loans through the Community-Based Economic Development (CBED) program. These loans tend to be for business expansions and usually range from \$50,000 to \$100,000. This new loan program designed for start-up companies could fill a market need below these levels not only with working capital and equipment, but also with establishing a business credit history. This would help companies that later might apply for a CBED or other loan for business expansion.
- DBEDT would like to request the following amendments:
  1. On page 1, line 15, add "Community Development Financial Institutions (CDFIs)" and "non-profit loan funds" to the list of financial institutions.
  2. On page 4, line 9, change \$10,000 to \$20,000 to allow for more flexibility to assist qualified companies.
- We support this bill provided that its passage does not replace or adversely impact priorities indicated in our Executive Budget.

Thank you for the opportunity to testify.



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#### **Executive Officers**

**Charlie Gustafson**, Tamura Super Market, *Chair*  
**Eddie Asato**, Pint Size Hawaii, *Vice Chair*  
**Gary Okimoto**, Safeway, *Secretary/Treas.*  
**Lauren Zirbel**, HFIA, *Executive Director*  
**John Schliff**, Rainbow Sales and Marketing, *Advisor*  
**Stan Brown**, Acosta Sales & Marketing, *Advisor*  
**Paul Kosasa**, ABC Stores, *Advisor*  
**Derek Kurisu**, KTA Superstores, *Advisor*  
**Toby Taniguchi**, KTA Superstores, *Advisor*  
**Joe Carter**, Coca-Cola Bottling of Hawaii, *Immediate Past Chair*

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**TO: Committee on Ways and Means**

Senator Donovan M. Dela Cruz, *Chair*

Senator Gilbert S.C. Keith-Agaran, *Vice Chair*

**FROM: HAWAII FOOD INDUSTRY ASSOCIATION**

Lauren Zirbel, *Executive Director*

**DATE:** February 18, 2022

**TIME:** 10am

**PLACE:** Via Videoconference

**RE: SB2805 SD1 Relating to Small Business Loans**

**Position:** Support

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, and distributors of food and beverage related products in the State of Hawaii.

HFIA is in support of this measure to create 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.

The ongoing COVID-19 pandemic and the economic crisis it caused in our state have demonstrated the need for a diversified local economy built on strong local foundations. Enabling new start-up businesses in our state is an important way to accomplish these goals and support a circular economy. The Hawaii Technology Development Corporation is already a valuable resource for our local business community and is the ideal partner for this program. We encourage you to pass this measure and we thank you for the opportunity to testify.



**Testimony to the Senate Committee on Ways and Means  
Friday, February 18, 2022, at 10:00 A.M.  
Conference Room 211 & Videoconference**

**RE: SB 2805 Relating to Small Business Loans**

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **strongly supports** SB 2805, which 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.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

The COVID-19 pandemic hurt our economy on almost every scale, but it arguably hurt our entrepreneur and start-up community the most. With uncertainty still around the pandemic and when business would be able to operate normally, risk takers in our start-up space put their plans on pause.

Even with the Omicron variant still lingering in our State, the Chamber of Commerce Hawaii has heard from more and more of our small businesses and entrepreneurs that they are ready to take the leap into their start-up, but they lack the resources to do so.

The Hawaii Start-up Business Loan Program comes at the right time for our business community to continue growth and spur our economy. The Chamber of Commerce Hawaii strongly supports this bill and supports the State of Hawaii assisting our start-up community.

Thank you for the opportunity to testify.



# RIGHT TO START

To: Senate Committee on Ways & Means  
Senator Donovan M. Dela Cruz, Chair  
Senator Gilbert S.C. Keith-Agaran, Vice Chair

From: Right to Start  
Jason Grill, Head of Government Affairs

Date: Friday, February 18th, 2022  
Time: 10am  
Place: Conference Room 211 & Via Videoconference

Re: SB2805 Relating to Small Business Loans

Position: Support

Right to Start believes in expanding entrepreneurial opportunity for all. We drive civic change through: grassroots organizing and mobilizing, policy advocacy and engagement, and lifting the voices of entrepreneurs through media and storytelling throughout the country. One of the main reasons why is because new businesses and young companies under 5 years of age create the most net new jobs in the United States. Yet policymakers make it harder for them to start and grow a business with so many barriers. This has added to a startup decline in America over the last 40 years. SB2805 SD1, sponsored by Senator Glenn Wakai, is a good step for Hawaii to support entrepreneurs when they need it most, in their first 3 years of business.

This is a pro job creation and pro economic growth bill. New businesses create Hawaii jobs and grow GDP, increase incomes and community wealth, and fight inequality and poverty. Every 1% increase in entrepreneurial activity in a state correlates with a 2% decline poverty. Capital is one of the biggest barriers to entry for entrepreneurs and SB2805 SD1 helps to alleviate some of these concerns for Hawaiian startups.

For these reasons, as well as many more, Right to Start encourages this committee to support this measure and pass it out of the Ways and Means Committee and into Hawaii law in 2022.