



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Economic Development
Wednesday, February 1, 2023, at 10:00 A.M.
Conference Room 423 & Videoconference**

RE: HB 397 Relating to the Hawaii Technology Development Corporation

Chair Holt, Vice Chair Lamosao, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **strongly supports** HB 397, which appropriates funds to the Hawaii Technology Development Corporation (HTDC) for the Hawaii small business capital program.

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 Small Business Credit Initiative Program (SSBCI) was created in 2021 when Congress appropriated funds for the program to assist small businesses accessing capital during the COVID19 pandemic. The State of Hawaii will receive over \$56 million in federal funds to provide capital assistance to our small businesses in Hawaii.

While the SSBCI program requires private capital to match these funds, the program has the potential to create over \$600 million in capital and investment into Hawaii's small businesses that faced significant impacts and Challenges caused by the COVID-19 pandemic.

In general, loan guarantee programs provide an assurance to lenders of partial repayment if a loan goes into default once the lender makes every reasonable effort to liquidate available collateral and collect on personal guarantees.

The Chamber of Commerce Hawaii supports a state-level funding match to the already existing federal small business credit initiative to help support our small businesses access capital and recover from the pandemic.

Thank you for the opportunity to testify.



Written Statement of
Len Higashi
Executive Director
Hawaii Technology Development Corporation
before the
House Committee On Economic Development
Wednesday, February 1, 2023
10:00 a.m.
Conference Room 423 & Videoconference

In consideration of
HB397
RELATING TO THE HAWAII TECHNOLOGY DEVELOPMENT CORPORATION

Chair Holt, Vice Chair Lamosao, and Members of the Committee.

The Hawai'i Technology Development Corporation (HTDC) **supports** HB397 that appropriates funds to the Hawai'i Technology Development Corporation for the Hawai'i small business capital program.

HTDC supports initiatives aimed at growing tech and innovation jobs. The State of Hawai'i's Hawai'i Small Business Capital program (Hi-CAP) provides capital assistance to Hawai'i's businesses, start-ups and entrepreneurs. It is funded by the U.S. Treasury for the State Small Business Credit Initiative (SSBCI), a part of the American Rescue Plan Act of 2021. The state will receive up to \$62,000,000 in federal funds for the program in 3 tranches over 7 years. More details on the program can be found at <https://www.htdc.org/hicap/>.

The federal program is very technical, limits the amount of funds that can be used for administration, and has aggressive timelines to deploy the capital. To receive the full \$62 million, the state must meet the federal targets for percentage of funds reaching socially economically disadvantaged individual (SEDI) owned small businesses and deploy each tranche within 3 years. The minimum allocation that Hawai'i will receive is \$55 million, provided that each tranche is deployed within the timeline. If the state does not meet the timeline, it risks losing its allocation.

The program is managed by HTDC in partnership with the Hawaii Green Infrastructure Authority (HGIA). Both agencies have very limited existing resources that can be applied to implementation of the new program. HTDC has used some of the federal funds to hire a program manager to implement the program. Additional program expenses include specialized consultants for compliance and audits, financial advisory, legal, software database for surveys and reporting, marketing, and temporary contractors to assist with the setup, implementation, and procedural documentation. HTDC's proposal to the U.S. Treasury anticipated \$2.5 million of state support over the first three years. Last year, the legislature appropriated \$0.5 million in support of this program.

Thank you for the opportunity to offer these comments.