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# 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 net new jobs  
10 in the United States. While the State offers a variety of  
11 financial assistance to start-up businesses in Hawaii, most of  
12 the assistance is focused on helping existing businesses expand  
13 and scale, rather than helping brand new businesses successfully  
14 launch.

15           The legislature believes that providing support to local  
16 small businesses and entrepreneurs seeking to start a new  
17 business could lead to the creation of more jobs in the State.





1 "Program" or "loan program" means the Hawaii start-up  
2 business loan program.

3 "Start-up business" means a business that:

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

9 § -2 **Hawaii start-up business loan program.** There is  
10 established a Hawaii start-up business loan program that shall  
11 be administered by the division in coordination with the Hawaii  
12 technology development corporation.

13 § -3 **Functions, powers, and duties of the division.** In  
14 the performance of, and with respect to, the functions, powers,  
15 and duties vested in the division by this chapter, the division  
16 may:

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



1           §   **-4 Rules and regulations.** The rules and regulations  
2 adopted pursuant to this chapter shall:

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

14          §   **-5 Direct loans, terms, and restrictions.** (a) The  
15 division may make loans to address start-up business concerns,  
16 including the financing of working capital, construction or  
17 improvement of facilities, and equipment. The loans pursuant to  
18 this section shall not be made in conjunction with any other  
19 loans made or grants awarded by the division. Where the loans  
20 made by the division are secured, the security may be  
21 subordinated to the loans made by other financial institutions;



1 provided that the subordination is required to obtain loans from  
2 those institutions. The necessity for and the extent of  
3 security required in any loan shall be determined by the  
4 division.

5 (b) The powers granted to the division pursuant to this  
6 section shall be subject to the following restrictions and  
7 limitations:

- 8 (1) No loan shall be granted unless financial assistance  
9 is not available to the applicant; provided that the  
10 condition may be waived by the division for  
11 participation loans or loan guarantees with a private  
12 financial institution;
- 13 (2) The amount of the loan shall not exceed a total of  
14 \$50,000;
- 15 (3) No loan shall be made for a term exceeding eight  
16 years;
- 17 (4) Each loan shall bear simple interest at a rate of four  
18 per cent per year;
- 19 (5) The payment of interest on the principal of a loan may  
20 be deferred by the division, but in no event shall



1 interest payments be deferred in excess of twenty-four  
2 months from the date of issuance of the loan;

3 (6) Each loan made to a small business declared bankrupt  
4 within five years of receiving the loan shall be  
5 forgiven; provided that the small business is  
6 domiciled in the State; and

7 (7) Each recipient of a loan shall not be required to make  
8 a personal guarantee as a condition of receiving the  
9 loan.

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

13 **§ -6 Hawaii start-up business loan program special fund.**

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

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

18 (2) Moneys received as repayments of loans; and

19 (3) Payments of loan interest or fees.



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

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

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

11 § -7 **Reports.** The department shall submit a report to  
12 the legislature on the division's activities in administering  
13 the loan program no later than twenty days prior to the  
14 convening of each regular session beginning with the regular  
15 session of 2026. The report shall include:

- 16 (1) A description and uses of the loan program;
- 17 (2) A summary of information and analytical data  
18 concerning the implementation of the loan program; and
- 19 (3) Repayments made."

20 SECTION 3. There is appropriated out of the general  
21 revenues of the State of Hawaii the sum of \$ or so



1 much thereof as may be necessary for fiscal year 2025-2026 and  
2 the same sum or so much thereof as may be necessary for fiscal  
3 year 2026-2027 to be deposited into the Hawaii start-up business  
4 loan program special fund.

5 SECTION 4. There is appropriated out of the Hawaii  
6 start-up business loan program special fund the sum of  
7 \$ or so much thereof as may be necessary for fiscal  
8 year 2025-2026 and the same sum or so much thereof as may be  
9 necessary for fiscal year 2026-2027 to:

- 10 (1) Implement the Hawaii start-up business loan program;
- 11 and
- 12 (2) Provide loans under the Hawaii start-up business loan
- 13 program.

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

17 SECTION 5. There is appropriated out of the general  
18 revenues of the State of Hawaii the sum of \$ or so  
19 much thereof as may be necessary for fiscal year 2025-2026 and  
20 the same sum or so much thereof as may be necessary for fiscal  
21 year 2026-2027 to fund one full-time equivalent (1.0 FTE)



1 business loan officer position within the business support  
2 branch of the department of business, economic development, and  
3 tourism.

4 The sums appropriated shall be expended by the department  
5 of business, economic development, and tourism for the purposes  
6 of this Act.

7 SECTION 6. There is appropriated out of the general  
8 revenues of the State of Hawaii the sum of \$ or so  
9 much thereof as may be necessary for fiscal year 2025-2026 and  
10 the same sum or so much thereof as may be necessary for fiscal  
11 year 2026-2027 for the division to upgrade its loan processing  
12 systems.

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

16 SECTION 7. If any provision of this Act, or the  
17 application thereof to any person or circumstance, is held  
18 invalid, the invalidity does not affect other provisions or  
19 applications of the Act that can be given effect without the  
20 invalid provision or application, and to this end the provisions  
21 of this Act are severable.



**1** SECTION 8. This Act shall take effect on July 1, 2050.



S.B. NO. 983  
S.D. 1

**Report Title:**

DBEDT; Hawaii Start-Up Business Loan Program; Hawaii Start-Up Business Loan Program Special Fund; Small Businesses; Reports; Positions; Appropriations

**Description:**

Establishes the Hawaii Start-Up Business Loan Program within the Business Development and Support Division of the Department of Business, Economic Development, and Tourism. Establishes the Hawaii Start-Up Business Loan Program Special Fund. Requires DBEDT to submit annual reports to the Legislature. Establishes one full-time equivalent business loan officer position. Appropriates funds. Effective 7/1/2050. (SD1)

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

