
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 The purpose of this Act is to benefit the local economy and
2 create new jobs by establishing and appropriating funds for the
3 Hawaii start-up business loan program to encourage
4 entrepreneurship and promote economic diversification and
5 resilience in the State.

6 SECTION 2. The Hawaii Revised Statutes is amended by
7 adding a new chapter to be appropriately designated and to read
8 as follows:

9 **"CHAPTER**

10 **HAWAII START-UP BUSINESS LOAN PROGRAM**

11 **§ -1 Definitions.** As used in this chapter:

12 "Department" means the department of business, economic
13 development, and tourism.

14 "Division" means the business development and support
15 division of the department.

16 "Financial institution" means any organization authorized
17 to do business under state or federal laws relating to financial
18 institutions, including without limitation, banks, savings
19 banks, savings and loan companies or associations, financial
20 services loan companies, community development financial
21 institutions, and credit unions.



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.



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)

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