

**ACT 384**

H.B. NO. 2151

A Bill for an Act Relating to a Revolving Loan Program for Business Opportunities on Molokai.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. The legislature finds that the economy of the island of Molokai is at a critical juncture. The residents have long relied on the pineapple industry as the major provider of jobs; however, since the closure of Dole Company's operations in 1976 and the reduction of Del Monte's operations in 1983, hundreds of Molokai residents have been jobless and the island's unemployment rate (at over fourteen per cent) is the highest in the State. The legislature further finds that the revival of Molokai's economy is best supported by the development and growth of small businesses, particularly those appropriate for cottage industries, community-based rural development, and subsistence economies that produce items unique to the local community, and that it is in the public interest to provide financial support to facilitate such development and growth on Molokai.

The purpose of this Act is to establish a revolving loan program. The revolving loan program will stimulate business development and growth on the island of Molokai and serve as a pilot project for programs in other rural areas.

SECTION 2. There is appropriated out of the general revenues of the State of Hawaii the sum of \$250,000, or so much thereof as may be necessary for fiscal

year 1988-1989, for the establishment of a revolving loan program to provide financing opportunities for small business ventures on Molokai. The sum appropriated shall be expended by the department of business and economic development for the purposes of this Act.

SECTION 3. (a) The department of business and economic development shall establish a temporary revolving loan program to provide financing opportunities for small business ventures on Molokai. To carry out the loan program, the department shall establish a revolving fund from which moneys shall be loaned in accordance with this Act and into which all payments, interest, and fees collected by the department on such loans shall be deposited. For the purposes of this section, "small business" means those businesses that have no more than ten employees.

(b) The program shall provide loans to qualified applicants with the following terms and conditions:

- (1) No loan shall be granted unless financial assistance is not otherwise available to the applicant;
- (2) The amount of a loan or loans to any one applicant at any one time shall not exceed \$150,000;
- (3) The maximum term of a loan shall not exceed five years;
- (4) Each loan shall bear a simple interest rate of not less than four and not more than ten per cent a year, depending on the nature of the loan; and
- (5) The commencement date for the repayment of the first installment on the principal and interest of each loan may be deferred by the director of business and economic development for a period not to exceed two years.

(c) The department, with the cooperation of the mayor of the county of Maui and the mayor's Molokai task force, shall adopt rules pursuant to chapter 91 to carry out the purposes of this Act including the following:

- (1) Prescribing the qualifications for eligibility of loan applicants;
- (2) Establishing preferences and priorities in determining eligibility for loans and loan repayments;
- (3) Determining the necessity for the extent of security required in any loan;
- (4) Prescribing the forms of financial participation the department may engage in as a result of making a loan under this Act, including but not limited to warrants, options, or royalties on sales or earnings; and
- (5) Prescribing appropriate management counseling and monitoring of business activities.

(d) Eligibility preferences and priorities shall include, but not be limited to, activities that are appropriate for cottage industries, community-based rural development, and subsistence economies, such as export-oriented arts, crafts, and fashion operations.

(e) The mayor of the county of Maui and the mayor's Molokai task force shall review all business plans, except financial statements or personal information, to assess whether the proposed business concept is likely to be acceptable to the community. They shall make recommendations to the department of business and economic development regarding acceptability of the proposed business concept, and the department of business and economic development then shall have final authority to approve or disapprove the loan application.

SECTION 4. The department of business and economic development may expend \$40,000 from the revolving fund in each year the revolving loan program

is in operation for the purpose of hiring a professional staff person for, and to cover the operating costs of, the program.

SECTION 5. The department shall annually submit a written report to the governor, the legislature, and the mayor of the county of Maui on the progress of the revolving loan program for each year the revolving loan program is in operation.

SECTION 6. This Act shall take effect on July 1, 1988, and shall be repealed on June 30, 1993.

(Approved June 15, 1988.)