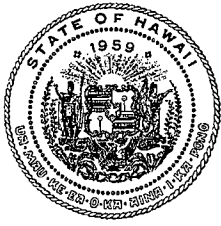


SB 91



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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Statement of
THEODORE E. LIU
Director

Department of Business, Economic Development, and Tourism
before the

SENATE COMMITTEE ON WAYS AND MEANS

Monday, March 2, 2009
9:30 AM

State Capitol, Conference Room 211

in consideration of
SB 91 SD1

RELATING TO COMMUNITY-BASED ECONOMIC DEVELOPMENT.

Chair Kim, Vice-Chair Tsutsui and Committee members:

The department supports the passage of SB 91 SD1. This bill makes technical and “housekeeping” revisions to sections of Chapter 210D, Hawaii Revised Statutes, which created the Hawaii Community-Based Economic Development (CBED) Program, the Hawaii Community-Based Development Revolving Fund, and the CBED Advisory Council.

The purpose of this measure is to update and improve the provision of CBED services by:

- Permitting the CBED Revolving Fund to access additional funding from other sources besides the State’s General Funds, and to deposit these outside funds into the CBED Revolving Fund.
- Allowing for smaller CBED loans, and reducing the maximum interest rate on these loans. A smaller CBED loan maximum of \$250,000 is necessitated by the reduced amount of funds available. Currently the CBED loan maximum stands at \$500,000. The interest rate will be reduced from a maximum 10% simple interest to 6%.
- Clarifying the definition of “community of interest” to mean “a group of people who may not live in the same geographic area, but who are bound together through a common economic interest, e.g coffee growers, aquaculture cooperatives, Pacific Island crafters, etc.”

On advice from our Deputy Attorney General, DBEDT also requests that the committee amend the definition of "community-based organization" by deleting the words "membership-based" so that recipients of CBED's financial assistance would no longer be required to be membership-based as many qualified nonprofits that serve a community purpose are not "membership based". Accordingly, we recommend that this committee insert into Section 2 of the bill an amendment to the definition of "community-based organization" in section 210D-2 to read as follows:

"Community-based organization" means a [~~membership-based,~~] nonprofit corporation incorporated in the State of Hawaii that is organized and controlled by either a geographic community, a community of identity, or a community of interest and which is directly involved in community-based economic development activities.

The definition would still require the nonprofit to be organized and controlled by a geographic community, a community of identity (defined as a group of people who are bound together through a common ethnicity or personal characteristic), or a community of interest (defined as a group of people bound together through a common economic interest).

Further, we also respectfully request this committee delete Section 6 of the bill, the amendment to section 210D-11(b)(1)(B), which requires a grant recipient to be "determined to be a nonprofit organization by the Internal Revenue Service." Our Deputy Attorney General has explained to us that the IRS does not determine an organization to be a nonprofit. The IRS determines an organization to be exempt from federal income tax. As the language in the bill stands now, it might be arguable that no organization could meet this requirement since the IRS does not, in fact, determine an organization to be a nonprofit.

Due to the constrained financial conditions of the State that affect financial assistance for community-based economic development, and the evolving challenges faced by distressed communities throughout Hawaii, it is imperative that Chapter 210D, Hawaii Revised Statutes, be revised to keep pace with those challenges and needs of our most distressed communities. Facing the budget shortfalls of the next biennium, it is imperative that we take full advantage of opportunities to leverage limited State resources by accessing Federal and other private resources.

Thank you for the opportunity to offer these comments.

HACBED

Community Voice, Collective Action

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Senate Committee on Ways and Means

Monday, March 2, 2009 @ 9:30am

Conference Room 211

SB91 SD1 – SUPPORT

RELATING TO COMMUNITY-BASED ECONOMIC DEVELOPMENT

Chair Kim and committee members

Thank you for the opportunity to provide testimony in **SB 91 SD1** which would:

- Authorize the Hawaii community-based economic development revolving fund to receive funding from any source;
- Repeal prohibition on reallocation of funds from loan program to grant program;
- Reduce the maximum interest rate on loans from 10% to 6%;
- Reduce limit on applicant's total loan balance from \$500,000 to \$250,000
- Amends the definition of "*Community of Interest*" to allow for a broader representation of persons who share a common economic interest.

The Hawai'i Alliance for Community-Based Economic Development (HACBED) is a statewide 501(c) 3 organization established in 1992 to encourage increased investments in sustainable and community-based approaches to economic development. Our mission is to address social, economic, and environmental justice in Hawai'i through community-based economic development.

HACBED is confident that **SB 91 SD1** will not only remove barriers for community-based economic development projects, but will also increase the state's ability to respond to the needs of Hawaii's communities' through increased opportunities for community-based ventures. The introduction of **SB 91 SD1** comes at a critical time in Hawaii's economic history, dovetailing four important changes to current HRS culminating in greater financial flexibility on the part of the Hawaii community-based economic development revolving fund and providing greater incentives for communities-based organizations to grow their mission and expand their services and reach.

We believe that State support for CBED projects for communities is crucial because they are:

- Addressing critical social and community issues through initiatives with economic impact getting to the “double bottom line”;
- Leveraging limited resources through creative public, private, and community partnerships; and
- Empowering families and communities to have choice and control over their own futures.

We pursue our mission by helping community-based economic development organizations (CBEDOs) increase community control of their assets and means of production. We accomplish this in many ways -- by providing technical support to help CBEDOs deal with organizational issues; by networking on a local and national basis for funding and financing for community-based efforts; and, by advocating for communities to play a more active role in the political process in order to effect systemic change.

We therefore ask for your support of **SB 91 SD1** and the continuing efforts on the part of communities to exercise greater control over their own futures.

Thank you for the opportunity to provide this testimony.

Sincerely

Brent Dillabaugh
Policy Director