

REFERENCE TITLE: **microbusiness loans; commerce authority**

State of Arizona
Senate
Fifty-fifth Legislature
Second Regular Session
2022

SB 1685

Introduced by
Senator Gonzales

AN ACT

AMENDING TITLE 41, CHAPTER 10, ARTICLE 1, ARIZONA REVISED STATUTES, BY
ADDING SECTION 41-1510; RELATING TO THE ARIZONA COMMERCE AUTHORITY.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 41, chapter 10, article 1, Arizona Revised
3 Statutes, is amended by adding section 41-1510, to read:

4 41-1510. Microbusiness revolving loan fund program; fund;
5 report; definition

6 A. THE MICROBUSINESS REVOLVING LOAN FUND PROGRAM IS ESTABLISHED.

7 B. THE MICROBUSINESS REVOLVING LOAN FUND IS ESTABLISHED CONSISTING
8 OF LEGISLATIVE APPROPRIATIONS. THE AUTHORITY SHALL ADMINISTER THE FUND.
9 MONIES IN THE FUND ARE SUBJECT TO LEGISLATIVE APPROPRIATION. MONIES IN
10 THE FUND MAY BE USED TO PROVIDE LOW-INTEREST LOANS TO COMMUNITY
11 DEVELOPMENT FINANCIAL INSTITUTIONS FOR FUNDING MICROBUSINESSES THAT ARE
12 LOCATED IN THIS STATE, THAT GENERATE ECONOMIC GROWTH AND JOB CREATION IN
13 THIS STATE BUT THAT ARE UNABLE TO OBTAIN ADEQUATE CREDIT OR ADEQUATE TERMS
14 FOR CREDIT. IF THE USE OF A COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION
15 IS NOT PRACTICABLE, THE AUTHORITY MAY PROVIDE LOW-INTEREST LOANS TO THE
16 FOLLOWING LOCAL COMMUNITY-BASED LENDING ORGANIZATIONS:

- 17 1. SMALL BUSINESS LENDING CONSORTIA.
- 18 2. CERTIFIED DEVELOPMENT COMPANIES.
- 19 3. UNITED STATES DEPARTMENT OF AGRICULTURE BUSINESS AND INDUSTRIAL
20 GUARANTEED LOAN PROVIDERS.
- 21 4. UNITED STATES SMALL BUSINESS ADMINISTRATION LOAN PROVIDERS.
- 22 5. CREDIT UNIONS.
- 23 6. COMMUNITY BANKS.

24 C. A LENDING ORGANIZATION MUST HAVE SUFFICIENT EXPERTISE TO ANALYZE
25 MICROBUSINESS APPLICATIONS FOR PROGRAM LOANS, EVALUATE THE
26 CREDITWORTHINESS OF MICROBUSINESSES AND REGULARLY MONITOR PROGRAM LOANS TO
27 BE ELIGIBLE TO RECEIVE FUND MONIES. THE LENDING ORGANIZATION SHALL REVIEW
28 EVERY PROGRAM LOAN APPLICATION TO DETERMINE, AMONG OTHER THINGS, THE
29 FEASIBILITY OF THE PROPOSED USE OF THE REQUESTED FINANCING BY THE
30 MICROBUSINESS APPLICANT, THE LIKELIHOOD OF REPAYMENT AND THE POTENTIAL
31 THAT THE LOAN WILL GENERATE ECONOMIC DEVELOPMENT AND JOBS IN THIS STATE.
32 THE AUTHORITY SHALL IDENTIFY ELIGIBLE LENDING ORGANIZATIONS THROUGH ONE OR
33 MORE COMPETITIVE STATEWIDE OR LOCAL SOLICITATIONS.

34 D. PROGRAM LOANS TO MICROBUSINESSES MUST BE TARGETED AND MARKETED
35 TO MINORITY-OWNED AND WOMEN-OWNED ENTERPRISES AND OTHER MICROBUSINESSES
36 THAT ARE HAVING DIFFICULTY ACCESSING TRADITIONAL CREDIT MARKETS. PROGRAM
37 LOANS TO MICROBUSINESSES MUST BE USED FOR THE CREATION AND RETENTION OF
38 JOBS, AS DEFINED BY THE AUTHORITY, INCLUDING:

- 39 1. WORKING CAPITAL.
- 40 2. ACQUIRING OR IMPROVING REAL PROPERTY, OR BOTH.
- 41 3. ACQUIRING MACHINERY AND EQUIPMENT, PROPERTY OR IMPROVEMENTS.
- 42 4. REFINANCING DEBT OBLIGATIONS.

43 E. THE AUTHORITY SHALL ESTABLISH A MICROLOAN THAT HAS A PRINCIPAL
44 AMOUNT THAT IS LESS THAN \$25,000 AND A REGULAR LOAN THAT HAS A PRINCIPAL
45 AMOUNT OF AT LEAST \$25,000. BEFORE RECEIVING FUND MONIES, THE LENDING

1 ORGANIZATION MUST CERTIFY TO THE AUTHORITY THAT THE LOAN COMPLIES WITH
2 THIS SECTION AND THE RULES ADOPTED FOR THE PROGRAM AND THAT THE LENDING
3 ORGANIZATION HAS PERFORMED ITS OBLIGATIONS PURSUANT TO AND IS IN
4 COMPLIANCE WITH THIS SECTION, THE PROGRAM RULES AND ALL AGREEMENTS ENTERED
5 INTO BETWEEN THE AUTHORITY AND THE LENDING ORGANIZATION.

6 F. THE FUND MONIES AMOUNT USED BY THE LENDING ORGANIZATION TO FUND
7 A PROGRAM APPLICANT LOAN MAY NOT BE MORE THAN TWENTY-FIVE PERCENT OF THE
8 PRINCIPAL AMOUNT OF THE LOAN BUT THE AUTHORITY MAY SET A HIGHER CAP BY
9 RULE.

10 G. WITH RESPECT TO ITS PROGRAM LOANS, THE LENDING ORGANIZATION MAY
11 CHARGE APPLICATION, COMMITMENT AND LOAN GUARANTEE FEES PURSUANT TO A
12 SCHEDULE OF FEES ADOPTED BY THE LENDING ORGANIZATION AND APPROVED BY THE
13 AUTHORITY. THE LENDING ORGANIZATION MAY NOT CHARGE AN APPLICATION FEE FOR
14 APPROVED PROGRAM LOANS THAT ARE \$5,000 OR LESS.

15 H. ON OR BEFORE JANUARY 1, 2023, THE AUTHORITY SHALL STUDY THE
16 FACTORS RELATED TO INCREASING THE NUMBER OF MICROFINANCE LENDERS IN THIS
17 STATE. ON OR BEFORE JULY 1, 2023, THE AUTHORITY SHALL SUBMIT A REPORT OF
18 ITS FINDINGS AND ANY RECOMMENDATIONS TO THE GOVERNOR, THE PRESIDENT OF THE
19 SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND PROVIDE A COPY
20 OF THIS REPORT TO THE SECRETARY OF STATE.

21 I. FOR THE PURPOSES OF THIS SECTION, "MICROBUSINESS" MEANS A
22 BUSINESS THAT IS RESIDENT IN THIS STATE, THAT IS INDEPENDENTLY OWNED AND
23 OPERATED AND THAT EMPLOYS FIFTEEN OR FEWER PEOPLE.