



House of Representatives

General Assembly

File No. 581

February Session, 2006

Substitute House Bill No. 5493

House of Representatives, April 20, 2006

The Committee on Appropriations reported through REP. MERRILL of the 54th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT ESTABLISHING A PILOT MICROLOAN PROGRAM FOR MICROENTERPRISES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2006*) As used in sections 2 to 5,
2 inclusive, of this act and section 32-235 of the 2006 supplement to the
3 general statutes:

4 (1) "Community Economic Development Fund" means the entity
5 established pursuant to subsection (b) of section 8-240k of the general
6 statutes to accomplish the community economic development
7 program;

8 (2) "Microenterprise" means any business, new or existing, with ten
9 or fewer employees and annual gross revenues of less than five
10 hundred thousand dollars, including home-based and owner-operated
11 businesses;

12 (3) "Program" means the microloan program for microenterprises

13 established in section 2 of this act.

14 Sec. 2. (NEW) (*Effective July 1, 2006*) There is established a pilot
15 microloan program for microenterprises under which the
16 Commissioner of Economic and Community Development shall make
17 a grant to the Community Economic Development Fund. Said fund
18 shall use said grant to support the growth and development of
19 microenterprises.

20 Sec. 3. NEW) (*Effective July 1, 2006*) The grants provided under
21 section 2 of this act shall be used to:

22 (1) Identify appropriate microloan applicants state-wide;

23 (2) Evaluate the need for a prospective microloan applicant's
24 business in the community in which the microenterprise is or would be
25 located;

26 (3) Evaluate community support for a prospective microloan
27 applicant's business in the community in which the microenterprise is
28 or would be located;

29 (4) Work in conjunction with other community-based nonprofit
30 organizations, state and federal agencies and with the Community
31 Economic Development Fund to assist prospective microloan
32 applicants in preparing and finalizing business plans;

33 (5) Assist prospective microloan applicants in identifying and
34 accessing other appropriate business resources, including those
35 providing business management training;

36 (6) Track client data, level of service and outcome of services
37 provided; and

38 (7) Promote microenterprises and coordinate the delivery of services
39 by microenterprise support organizations to microenterprises.

40 Sec. 4. (NEW) (*Effective July 1, 2006*) The Community Economic
41 Development Fund shall consider the following criteria in making a

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 07 \$	FY 08 \$
Department of Economic & Community Development	GF - Implements the Budget	50,000	None

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill establishes a pilot micro loan program for microenterprises to be administered by the Community Economic Development Fund (CEDF). The program is to be funded by a grant from the Department of Economic and Community Development (DECD) to the CEDF. sHB 5007, the Appropriations Act, as favorably reported by the Appropriations Committee provides \$50,000 for this program in FY 07.

The Out Years

None

OLR Bill Analysis**sHB 5493*****AN ACT ESTABLISHING A PILOT MICROLOAN PROGRAM FOR MICROENTERPRISES.*****SUMMARY:**

This bill establishes a pilot program to help new and existing very small businesses (i.e., microenterprises) obtain the technical and financial resources they need to grow. The program does this by relying on existing organizations that specialize in helping small businesses identify their needs and finding the appropriate public or private programs to address those needs (microloan generating organizations).

The bill establishes the program by requiring the economic and community development commissioner to make a grant to the nonprofit Community Economic Development Fund (CEDF), which must disperse it to microloan generating organizations that meet the bill's criteria. The bill requires the commissioner to report on its status and results to the Commerce Committee by June 30, 2007.

EFFECTIVE DATE: July 1, 2006

ELIGIBILITY***Microloan Generating Organizations***

Under the bill, CEDF must allocate the grant to microloan generating organizations. In doing so, CEDF must consider:

1. where an organization receives its operating funds and whether they are sufficient,
2. the extent to which the organization can provide the services the bill calls for, and

3. the organization's success in helping small businesses apply for and receive assistance from programs similar to the pilot program.

Assistance

The bill requires microloan generating organizations to use the grants to help microenterprises obtain business loans (i.e., microloan applicants). In doing so, an organization must use the grant to:

1. identify appropriate microloan applicants throughout the state,
2. evaluate the need for the product or service in the community where the applicant operates or proposes to operate,
3. evaluate the extent to which the community supports that business,
4. work with other public and private organizations to help the applicant prepare and complete its business plan,
5. help prospective applicants identify and access technical and financial assistance from other organizations,
6. track the services the organization provides to clients and measure the results,
7. promote microenterprises, and
8. coordinate the way other microenterprise support organizations deliver services to microenterprises.

Eligible Businesses

Microloan generating organizations may use the grants to assist only microenterprises, which are new or existing businesses employing 10 or fewer people and grossing less than \$500,000 a year. These enterprises include those based in homes and those operated by the owner.

BACKGROUND

CEDF

Established by law in 1993, CEDF helps economically distressed neighborhoods develop businesses and create jobs. It does this by making and guaranteeing loans to small businesses, including microenterprises.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute Change of Reference
Yea 29 Nay 0 (03/14/2006)

Appropriations Committee

Joint Favorable Substitute
Yea 50 Nay 0 (03/31/2006)