



General Assembly

January Session, 2003

Committee Bill No. 5285

LCO No. 4054

Referred to Committee on Commerce

Introduced by:
(CE)

**AN ACT CREATING A MICROLOAN PROGRAM FOR
MICROENTERPRISES.**

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

1 Section 1. (NEW) (*Effective October 1, 2003*) As used in sections 1 to 6,
2 inclusive, of this act:

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

7 (2) "Financial institution" means any trust company, bank, savings
8 bank, credit union, savings and loan association, insurance company,
9 investment company, mortgage banker, trustee, executor, pension
10 fund, retirement fund or other fiduciary or financial institution.

11 (3) "Microenterprise" means any business, new or existing, with ten
12 or fewer employees and annual gross revenues of less than five
13 hundred thousand dollars, including home-based and owner-operated
14 businesses.

15 (4) "Microloan generation organization" means any community-
16 based nonprofit organization that is capable of providing the services
17 enumerated in section 3 of this act.

18 (5) "Nonstate funds" means funds that come from any source,
19 including private foundations, federal or local governments, quasi-
20 governmental entities or financial institutions, other than funds
21 appropriated by the General Assembly.

22 (6) "Program" means the microloan program for microenterprises.

23 Sec. 2. (NEW) (*Effective October 1, 2003*) (a) There is established a
24 pilot microloan program for microenterprises. The Community
25 Economic Development Fund shall (1) provide microloans, not to
26 exceed fifty thousand dollars, to microenterprises within the state in
27 accordance with subsection (f) of this section, (2) provide grants, not to
28 exceed twenty-five thousand dollars, to microloan generating
29 organizations in accordance with section 4 of this act, and (3) identify
30 and coordinate nonstate funds that may be available to fund the
31 program.

32 (b) There is established an account to be known as the "microloan
33 revolving account for microenterprises" which shall be a separate
34 nonlapsing account within the General Fund. The account shall
35 contain (1) any moneys allocated pursuant to subsection (c) of this
36 section, and (2) any moneys required by law to be deposited into the
37 account, including, but not limited to, any moneys appropriated by the
38 state and interest payments and principal payments on microloans,
39 minus reasonable and necessary expenses incurred by the Community
40 Economic Development Fund in administering microloans and grants
41 under the program established under this subsection. Any balance
42 remaining in the account at the end of any fiscal year shall be carried
43 forward in the account for the next succeeding fiscal year. The account
44 shall be used to make microloans in accordance with subsection (f) of
45 this section, to make grants to microloan generating organizations in
46 accordance with section 4 of this act, and to pay reasonable and

47 necessary expenses incurred by the Community Economic
48 Development Fund in administering such microloans and grants
49 under the program established under this subsection.

50 (c) The Community Economic Development Fund may, at its
51 discretion, transfer any of its available appropriations and any
52 nonstate funds to the account established under subsection (b) of this
53 section. The Community Economic Development Fund may
54 participate with other lenders in loans to applicants in order to
55 leverage the funds being loaned.

56 (d) In order to qualify for a microloan an applicant shall present
57 evidence satisfactory to the Community Economic Development Fund
58 that the amount loaned from the account established under subsection
59 (b) of this section shall be matched by nonstate funds equivalent to one
60 dollar for each one dollar loaned from the account, or by an in-kind
61 equivalent for each one-dollar loaned from the account.

62 (e) Any microloan shall be used by a microenterprise for business
63 start-up costs or the day-to-day operation of the business, in
64 accordance with policies established by the Community Economic
65 Development Fund pursuant to subsection (g) of this section. The
66 proceeds from any microloan made pursuant to this section shall not
67 be used by the microenterprise for the refinancing of existing loans.

68 (f) Each microenterprise applying for a microloan under subsection
69 (a) of this section shall submit an application in such form and
70 containing such information as the Community Economic
71 Development Fund shall require. Security for the microloan shall be in
72 accordance with underwriting and collateral requirements established
73 by the Community Economic Development Fund pursuant to
74 subsection (g) of this section. In addition to any other conditions of
75 default under the microloan, the microenterprise shall be in default if
76 the microloan is not used for the purposes set forth in subsection (e) of
77 this section.

78 (g) The Community Economic Development Fund may establish
79 policies and procedures to carry out the provisions of this section.
80 Such policies and procedures may provide for microloan repayment
81 terms, interest and security requirements, default and remedy
82 provisions, and such other terms and conditions as the Community
83 Economic Development Fund deems appropriate.

84 Sec. 3. (NEW) (*Effective October 1, 2003*) Grants made by the
85 Community Economic Development Fund to micro-loan generating
86 organizations shall be used to:

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

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

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

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

98 (5) Assist prospective microloan applicants in obtaining and
99 submitting microloan applications in accordance with subsection (f) of
100 section 2 of this act;

101 (6) Assist prospective microloan applicants in identifying and
102 accessing other appropriate business resources, including those
103 providing business management training;

104 (7) Track client data, level of service and outcome of services
105 provided; and

106 (8) Submit regular reports to the Community Economic
107 Development Fund based on the grant agreement with the microloan
108 generating organization.

109 Sec. 4. (NEW) (Effective October 1, 2003) The Community Economic
110 Development Fund shall consider the following criteria in making a
111 grant to a microloan generating organization:

112 (1) Sources and sufficiency of operating funds for the microloan
113 generating organization;

114 (2) The ability of the microloan generating organization to provide
115 the services required under section 3 of this act; and

116 (3) The proven ability of the microloan generating organization to
117 identify and prepare successful applicants to economic assistance
118 programs similar to the program established in this act.

119 Sec. 5. (Effective October 1, 2003) Not later than June 30, 2005, the
120 board of directors, established in accordance with section 8-2401 of the
121 general statutes, shall submit a report of the status and results of the
122 pilot microloan program for microenterprises established under
123 section 2 of this act to the joint standing committee of the General
124 Assembly having cognizance of matters relating to commerce, in
125 accordance with section 11-4a of the general statutes.

126 Sec. 6. (Effective July 1, 2003) The sum of one hundred thousand
127 dollars is appropriated to the Community Economic Development
128 Fund, from the General Fund, for the fiscal year ending June 30, 2004,
129 for the program established in section 2 of this act.

This act shall take effect as follows:	
Section 1	October 1, 2003
Sec. 2	October 1, 2003
Sec. 3	October 1, 2003
Sec. 4	October 1, 2003

Sec. 5	<i>October 1, 2003</i>
Sec. 6	<i>July 1, 2003</i>

Statement of Purpose:

To create a pilot program to provide funding and other assistance to foster microenterprises in the state.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]

Co-Sponsors: REP. URBAN, 43rd Dist.; REP. JANOWSKI, 56th Dist.

H. B. 5285