



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 microloan 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	<i>October 1, 2003</i>
Sec. 2	<i>October 1, 2003</i>
Sec. 3	<i>October 1, 2003</i>
Sec. 4	<i>October 1, 2003</i>

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

**CE**      *Joint Favorable*