



General Assembly

February Session, 2004

**Substitute Bill No. 5538**

\*           HB05538CE\_FIN031104           \*

**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, 2004*) As used in sections 1 to 5,  
2 inclusive, of this act and section 32-235 of the general statutes, as  
3 amended by this act:

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

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) "Microloan generating organization" means any community-  
13 based nonprofit organization that is capable of providing the services  
14 enumerated in section 3 of this act.

15       (4) "Nonstate funds" means funds that come from any source,  
16 including private foundations, federal or local governments, quasi-  
17 governmental entities or financial institutions, but does not mean

18 funds appropriated by the General Assembly.

19 (5) "Program" means the microloan program for microenterprises.

20 Sec. 2. (NEW) (*Effective October 1, 2004*) (a) There is established a  
21 pilot microloan program for microenterprises. The Department of  
22 Economic and Community Development shall (1) provide microloans,  
23 not to exceed fifty thousand dollars, to microenterprises within the  
24 state in accordance with subsection (f) of this section, (2) provide  
25 grants, not to exceed twenty-five thousand dollars, to microloan  
26 generating organizations in accordance with section 4 of this act, and  
27 (3) identify and coordinate nonstate funds that may be available to  
28 fund the program.

29 (b) There is established an account to be known as the "microloan  
30 revolving account for microenterprises" which shall be a separate,  
31 nonlapsing account within the General Fund. The account shall  
32 contain (1) any moneys allocated pursuant to subsection (c) of this  
33 section, and (2) any moneys required by law to be deposited into the  
34 account, including, but not limited to, any moneys appropriated by the  
35 state, any proceeds from the sale of state bonds pursuant to section 32-  
36 235 of the general statutes, as amended by this act, and interest  
37 payments and principal payments on microloans, minus reasonable  
38 and necessary expenses incurred by the Department of Economic and  
39 Community Development in administering microloans and grants  
40 under the program established under this subsection. Any balance  
41 remaining in the account at the end of any fiscal year shall be carried  
42 forward in the account for the next succeeding fiscal year. The account  
43 shall be used to make microloans in accordance with subsection (f) of  
44 this section, to make grants to microloan generating organizations in  
45 accordance with section 4 of this act, and to pay reasonable and  
46 necessary expenses incurred by the Department of Economic and  
47 Community Development in administering such microloans and  
48 grants under the program established under this subsection.

49 (c) The Department of Economic and Community Development

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

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

61 (e) Any microloan shall be used by a microenterprise for business  
62 start-up costs or the day-to-day operation of the business, in  
63 accordance with policies established by the Department of Economic  
64 and Community Development pursuant to subsection (g) of this  
65 section. The proceeds from any microloan made pursuant to this  
66 section shall not be used by the microenterprise for the refinancing of  
67 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 Department of Economic and  
71 Community Development shall require. Security for the microloan  
72 shall be in accordance with underwriting and collateral requirements  
73 established by the Department of Economic and Community  
74 Development pursuant to subsection (g) of this section. In addition to  
75 any other conditions of default under the microloan, the  
76 microenterprise shall be in default if the microloan is not used for the  
77 purposes set forth in subsection (e) of this section.

78 (g) The Department of Economic and Community Development  
79 shall establish policies and procedures to carry out the provisions of  
80 this section. Such policies and procedures shall provide for microloan  
81 repayment terms, interest and security requirements, default and

82 remedy provisions, and such other terms and conditions as the  
83 Department of Economic and Community Development deems  
84 appropriate.

85 Sec. 3. (NEW) (*Effective October 1, 2004*) Grants made by the  
86 Department of Economic and Community Development to microloan  
87 generating organizations shall be used to:

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

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

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

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

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

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

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

107 (8) Submit regular reports to the Department of Economic and  
108 Community Development based on the grant agreement with the  
109 microloan generating organization.

110 Sec. 4. (NEW) (*Effective October 1, 2004*) The Department of  
111 Economic and Community Development shall consider the following  
112 criteria in making a grant to a microloan generating organization:

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

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

117 (3) The proven ability of the microloan generating organization to  
118 identify and prepare successful applicants for economic assistance  
119 programs similar to the program established in sections 1 to 5,  
120 inclusive, of this act.

121 Sec. 5. (*Effective October 1, 2004*) Not later than June 30, 2006, the  
122 board of directors, established in accordance with section 8-2401 of the  
123 general statutes, as amended, shall submit a report, in accordance with  
124 section 11-4a of the general statutes, of the status and results of the  
125 pilot microloan program for microenterprises established under  
126 section 2 of this act to the joint standing committee of the General  
127 Assembly having cognizance of matters relating to commerce.

128 Sec. 6. Subsections (a) and (b) of section 32-235 of the general  
129 statutes are repealed and the following is substituted in lieu thereof  
130 (*Effective October 1, 2004*):

131 (a) For the purposes described in subsection (b) of this section, the  
132 State Bond Commission shall have the power, from time to time to  
133 authorize the issuance of bonds of the state in one or more series and  
134 in principal amounts not exceeding in the aggregate five hundred five  
135 million [three] four hundred thousand dollars, provided ten million  
136 dollars of said authorization shall be effective on July 1, 2003.

137 (b) The proceeds of the sale of said bonds, to the extent of the  
138 amount stated in subsection (a) of this section, shall be used by the  
139 Department of Economic and Community Development for the

140 purposes of sections 32-220 to 32-234, inclusive, [and] for the  
 141 Connecticut job training finance demonstration program pursuant to  
 142 sections 32-23uu and 32-23vv, and for the pilot microloan program for  
 143 microenterprises established under section 2 of this act provided, (1)  
 144 three million dollars shall be used by said department solely for the  
 145 purposes of section 32-23uu and not more than five million two  
 146 hundred fifty thousand dollars of the amount stated in said subsection  
 147 (a) may be used by said department for the purposes of section 31-3u,  
 148 (2) not less than one million dollars shall be used for an educational  
 149 technology grant to the deployment center program and the nonprofit  
 150 business consortium deployment center approved pursuant to section  
 151 32-411, [and] (3) not less than two million dollars shall be used by said  
 152 department for the establishment of a pilot program to make grants to  
 153 businesses in designated areas of the state for construction, renovation  
 154 or improvement of small manufacturing facilities provided such grants  
 155 are matched by the business, a municipality or another financing  
 156 entity, and (4) not less than one hundred thousand dollars of the  
 157 amount stated in subsection (a) shall be used to fund the microloan  
 158 revolving account for microenterprises established under subsection  
 159 (b) of section 2 of this act. The commissioner shall designate areas of  
 160 the state where manufacturing is a substantial part of the local  
 161 economy and shall make grants under such pilot program which are  
 162 likely to produce a significant economic development benefit for the  
 163 designated area.

This act shall take effect as follows:	
Section 1	<i>October 1, 2004</i>
Sec. 2	<i>October 1, 2004</i>
Sec. 3	<i>October 1, 2004</i>
Sec. 4	<i>October 1, 2004</i>
Sec. 5	<i>October 1, 2004</i>
Sec. 6	<i>October 1, 2004</i>

**CE**

*Joint Favorable Subst. C/R*

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