

1 **State of Arkansas**
2 **79th General Assembly**
3 **Regular Session, 1993**
4 **By: Senator Keet**

A Bill

SENATE BILL

For An Act To Be Entitled

8 "AN ACT TO ESTABLISH A SMALL BUSINESS MICROLOAN PROGRAM TO
9 PROVIDE LOANS THROUGH INTERMEDIARY NONPROFIT ENTITIES OF
10 NOT MORE THAN TWENTY-FIVE THOUSAND DOLLARS (\$25,000) TO
11 SMALL BUSINESSES WITH NO MORE THAN FIFTEEN (15) EMPLOYEES
12 FOR FINANCING WORKING CAPITAL OR CERTAIN FIXED ASSETS; AND
13 FOR OTHER PURPOSES."

Subtitle

16 "AN ACT TO ESTABLISH A SMALL BUSINESS MICROLOAN PROGRAM TO
17 PROVIDE LOANS OF NOT MORE THAN \$25,000.00 FOR FINANCING
18 WORKING CAPITAL OR CERTAIN FIXED ASSETS."

20 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

22 SECTION 1. Title.

23 This act shall be known as and may be cited as the "Arkansas Small
24 Business Microloan Program of 1993".

26 SECTION 2. Legislative findings.

27 The General Assembly hereby finds that it will be beneficial to the
28 State of Arkansas to create a plan for small business microloans in which the
29 State Treasurer is authorized to deposit or invest a portion of the state's
30 portfolio of investments with participating lending institutions in relatively
31 low-yielding deposit accounts, certificates of deposit, or other authorized
32 investments, where the institutions will then make available low-cost loans to
33 eligible intermediaries to enable the intermediaries to, in turn, provide
34 small-scale loans or microloans to start-up, newly established, or growing
35 small business concerns for working capital or the acquisition of materials,

1 supplies, or equipment. The microloan program should assist small business
2 concerns in those areas suffering from a lack of credit due to economic
3 downturns and assist women, low-income, and minority entrepreneurs, business
4 owners and other individuals possessing the capability to operate successful
5 businesses. The General Assembly further finds that such low-cost loans and
6 the resulting microloans will fill a niche for loans for small businesses and
7 will result in a significant contribution to the economic growth and
8 development of the state and in the further creation of jobs for Arkansans.

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10 SECTION 3. Definitions.

11 The following terms shall have the definitions ascribed to them, unless
12 the context clearly indicates otherwise:

- 13 (1) "Act" means the Arkansas Small Business Microloan Program of 1993;
- 14 (2) "State Treasurer" means the Treasurer of the State of Arkansas;
- 15 (3) "Lending institution" or "eligible lending institution" or "lender"
16 means all banks and savings and loan associations which are authorized
17 depositories of state funds, which agree to participate in the microloan
18 program and loan funds to eligible intermediaries for loans to small
19 businesses;
- 20 (4) "Microloan" means a short-term, fixed rate, low interest loan of
21 not less than five thousand dollars (\$5,000) nor more than twenty-five
22 thousand dollars (\$25,000) made by an intermediary to a start-up, newly
23 established, or growing eligible small business;
- 24 (5) "Microloan program" means an agreement program between the State
25 Treasurer and an eligible lending institution whereby a deposit is placed with
26 the institution at a rate of return which is below the current market rate for
27 such a deposit, as determined by the State Treasurer and approved by the State
28 Board of Finance, provided the institution agrees to lend the equivalent value
29 of such deposit to an eligible intermediary to make microloans to the eligible
30 small businesses at a correspondingly reduced rate of interest;
- 31 (6) "Eligible small business" means any person, proprietor,
32 corporation, partnership, or other entity which:
- 33 (A) Is headquartered in Arkansas and operates primarily in
34 Arkansas;
- 35 (B) Is organized for profit;

1 (C) Has no more than fifteen (15) employees at the time it
2 applies for a loan under the plan;

3 (D) Has gross sales which do not exceed five hundred thousand
4 dollars
5 (\$500,000) annually;

6 (E) Demonstrates to the lending intermediary that a significant
7 number of jobs are sustained or created as a result of the loan; and

8 (F) Participates in the intermediary_s microloan business
9 development program in marketing, management, and technical assistance.

10 (7) "Intermediary" or "eligible intermediary" means a private,
11 nonprofit entity or a nonprofit community development corporation or a small
12 business development center of a public agency or institution or a small
13 business incubator program that seeks to borrow or has borrowed funds from a
14 lending institution to make microloans to small businesses under this act.

15 (8) "Program" means the Arkansas Small Business Microloan Program.
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17 SECTION 4. Authority of State Treasurer.

18 The State Treasurer is authorized, effective upon the passage of this
19 act to use up to five percent (5%) of the total amount of the treasurer's
20 investment portfolio for the Arkansas Small Business Microloan Program.
21 Deposits and investments made by the State Treasurer under the provision of
22 this act and in accordance with the State Treasury Management Law, § 19-3-201
23 et seq., shall not exceed ten million dollars (\$10,000,000)."
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25 SECTION 5. Establishment of the Microloan program - Eligibility -
26 Application.

27 (a) (1) There is hereby established the Arkansas Small Business
28 Microloan Program under which the State Treasurer, with the assistance of the
29 Arkansas Industrial Development Commission, may make direct loans to
30 participating lending institutions who, in turn, shall make loans to eligible
31 intermediaries for the microloan program.

32 (2) The eligible intermediaries shall make microloans of not less
33 than five thousand dollars (\$5,000) nor more than twenty-five thousand dollars
34 (\$25,000) for the purpose to start-up, a newly established small business or a
35 growing eligible small business.

1 (b) The intermediary shall be eligible to receive loans under this act
2 and make microloans if it:

3 (1) meets the definition of "intermediary" of this act;

4 (2) has at least one (1) year of experience making loans to start-
5 up, newly established, or growing small businesses; and

6 (3) has the experience, expertise, and facilities to provide, as
7 part of the microloan program, intensive marketing, management, and technical
8 assistance to eligible small businesses.

9 (c) (1) The State Treasurer shall establish, with the assistance of the
10 Arkansas Industrial Development Commission, procedures and other requirements
11 for participation in the program and shall provide simplified rules and
12 supplemental loan application forms to the participating lending institutions
13 and eligible intermediaries for the microloan program.

14 (2) Such forms shall reflect the specific information required by
15 this act for participating lending institutions and eligible intermediaries,
16 and eligible small businesses, respectively.

17 (3) As part of the application, each intermediary shall submit a
18 description to the State Treasurer of:

19 (A) the type of businesses to be assisted;

20 (B) the size and range of loans to be made;

21 (C) the geographic area to be served and its economic and
22 unemployment characteristics;

23 (D) the status of the small businesses in the area to be
24 served and an analysis of their credit and technical assistance needs;

25 (E) the business development program in marketing,
26 management, and technical assistance to be provided to small businesses in
27 connection with a loan made under this act; and

28 (F) the qualifications of the applicant to carry out the
29 purpose of the act.

30 (d) Upon completion of any application for a loan by an intermediary,
31 the lender shall send the loan application form to the State Treasurer to
32 effectuate the deposit or investment of State Treasury funds with the lending
33 institution.

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35 SECTION 6. Maximum loan amounts - Use of loan proceeds.

1 (a)(1) Pursuant to the microloan program, the maximum loan or loans to
2 each eligible intermediary shall not exceed the total amount of five hundred
3 thousand dollars (\$500,000) outstanding at any one (1) time.

4 (2) The proceeds of any such loan may be used for either working
5 capital or fixed-asset financing.

6 (b) Pursuant to the microloan program, the maximum loan or loans to
7 each eligible small business shall not exceed the total amount of twenty-five
8 thousand dollars (\$25,000) outstanding at any one (1) time. The proceeds of
9 any such business loan may be used for either working capital or fixed-asset
10 financing for acquisition of materials, supplies, furniture, fixtures, and
11 equipment.

12 (c) An eligible intermediary may make a loan under this act for more
13 than fifteen thousand dollars (\$15,000) to a small business only if the small
14 business demonstrates that it is unable to obtain credit elsewhere and that it
15 has good prospects for success. In no case shall an intermediary make a loan
16 for more than twenty-five thousand dollars (\$25,000).

17 (d) Loans made by intermediaries under this act shall be for a maximum
18 term of not more than five (5) years and for a minimum amount of not less than
19 five thousand dollars (\$5,000).

20 (e) An intermediary shall provide the small business, as part of the
21 loan made under this act, with a business development program in marketing,
22 management, and technical assistance.

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24 SECTION 7. Interest.

25 (a) The State Treasurer, with the approval of the State Board of
26 Finance, shall determine the rate, term, method, and date of payment of
27 interest on each microloan program loan to the intermediaries.

28 (b) The State Treasurer shall consider all other financial factors in
29 arriving at a rate of interest on the microloan program loans.

30 (c) The lending institutions shall have all credit and loan decisions,
31 based on the criteria defined in this act.

32 (d) Loans made by lending institutions and by intermediaries pursuant
33 to this act shall be made at a rate of interest which shall reflect the same
34 percentage point reduction established by the State Treasurer and approved by
35 the State Board of Finance.

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SECTION 8. Writing required.

Any agreement entered into between the state, a participating lending institution, and an intermediary pursuant to the program established by this act shall be in writing and shall include specifically all terms, conditions, and requirements of this act.

SECTION 9. Rules and regulations.

The State Treasurer, with the approval of the State Board of Finance and the assistance of the Arkansas Industrial Development Commission, is authorized to promulgate rules and regulations with respect to his powers and duties pursuant to this act and the rights and obligations of participating lending institutions and the intermediaries pursuant to this act.

SECTION 10. Annual report to the Governor and General Assembly.

The State Treasurer shall prepare an annual report to the Governor and to the General Assembly, not later than October 1 following the close of the state fiscal year, outlining the activities during the previous year, the results of this act and the microloan program in terms of benefits, and a summary of findings based on the State Treasurer's monitoring of the program. If prepared while the General Assembly is not in Session, the report to the General Assembly shall be made to the Joint Interim Committee on Agriculture and Economic Development.

SECTION 11. Construction.

(a) This act shall be liberally construed to accomplish the purposes thereof.

(b) This act shall be interpreted to supplement existing laws conferring rights and powers upon the State Treasurer.

SECTION 12. All provisions of this act of general and permanent nature are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code Revision Commission shall incorporate the same in the Code.

SECTION 13. If any provisions of this act or the application thereof to

1 any person or circumstance is held invalid, the invalidity shall not affect
2 other provisions or applications of the act which can be given effect without
3 the invalid provisions or application, and to this end the provisions of this
4 act are declared to be severable.

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6 SECTION 14. All laws and parts of laws in conflict with this act are
7 hereby repealed.

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