

**REPORT OF THE  
ECONOMIC DEVELOPMENT,  
CAPITAL IMPROVEMENT &  
OTHER TAXES SUBCOMMITTEE**

(Loftis, Cobb-Hunter, J.R. Smith, Barfield & Ott - Staff Contact: Daniel Boan)

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**HOUSE BILL 3125**

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H. 3125 -- Rep. Hodges: A BILL TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, SO AS TO ENACT THE "MICROENTERPRISE DEVELOPMENT ACT" BY ADDING CHAPTER 55 TO TITLE 11 SO AS TO PROVIDE THAT THE DEPARTMENT OF COMMERCE SHALL ESTABLISH THE MICROENTERPRISE PARTNERSHIP PROGRAM TO PROMOTE AND FACILITATE THE DEVELOPMENT OF MICROENTERPRISES IN THIS STATE AND TO DEFINE "MICROENTERPRISE" AS A BUSINESS, WHETHER NEW OR EXISTING, INCLUDING STARTUP, HOME-BASED, AND SELF EMPLOYMENT, WITH FIVE OR FEWER EMPLOYEES; TO PROVIDE THAT THE DEPARTMENT SHALL AWARD GRANTS TO COMMUNITY ORGANIZATIONS TO MAKE LOANS AND DEVELOP LOAN SOURCES; TO ESTABLISH CRITERIA TO BE CONSIDERED IN AWARDING GRANTS; TO PROVIDE THAT APPROPRIATED FUNDS MAY BE AWARDED AS A GRANT TO MICROLOAN DELIVERY ORGANIZATIONS AND THAT SUCH GRANTS MUST BE MATCHED BY NONSTATE FUNDS; TO PROVIDE THE PURPOSE FOR WHICH GRANT FUNDS MAY BE EXPENDED; TO PROVIDE CERTAIN PROVISIONS THAT MUST BE IN A CONTRACT BETWEEN THE DEPARTMENT AND A STATEWIDE MICROLENDING SUPPORT ORGANIZATION; AND TO REQUIRE THE STATE TO SUBMIT AN ANNUAL REPORT TO THE GOVERNOR AND GENERAL ASSEMBLY.

***Summary of Bill:***

This bill would create the Microenterprise Partnership Program at the Department of Commerce. The program would facilitate the development of a statewide infrastructure of microlending organizations and would award grants to these organizations based on qualifying criteria.

***Introduced:*** 12/11/2012

***Received by Ways and Means:*** 12/11/2012

***Estimated Fiscal Impact:***

\$100,000 for the first year, \$90,000 per year thereafter.

***Subcommittee Recommendation:***

Favorable

***Full Committee Recommendation:***

Pending

***Other Notes/Comments:***

Microloans are defined as business loans not to exceed \$25,000.

FISCAL IMPACT STATEMENT ON BILL NO. **H. 3125**

(Doc. No. 11028ac13.docx)

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TO: The Honorable W. Brian White, Chairperson, House Ways and Means Committee  
FROM: State Budget Division, Budget and Control Board  
ANALYSTS: R.J. Stein  
DATE: April 2, 2013 SBD: 2013215

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AUTHOR: Representative Hodges PRIMARY CODE CITE: 11-55-10  
SUBJECT: Microenterprise Development Act

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ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:  
A Cost to the General Fund (See Below)

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:  
\$0 (No additional expenditures or savings are expected)

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**BILL SUMMARY:**

House Bill 3125 amends Title 11 of the Code of Laws of South Carolina, 1976, by adding Chapter 55 creating the "Microenterprise Partnership Program," a loan and grant program in support of "microenterprises," to be developed and implemented by the Department of Commerce. The Bill defines "microenterprise" and provides guidelines for awarding loans and grants.

**EXPLANATION OF IMPACT:**

Department of Commerce

The Department indicates that to design, implement, coordinate and monitor the continuing operation of this new (grant/loan) program 1.00 Program Manager is needed. The Department estimates annual costs at \$90,000 (including \$78,000 for salary and fringes and \$12,000 for operating expenses). In the first year, however, an additional \$10,000 is needed for office equipment, increasing the first year cost to \$100,000.

**LOCAL GOVERNMENT IMPACT:**

None.

**SPECIAL NOTES:**

None.

Approved by:



Brenda Hart  
Assistant Director, State Budget Division

**South Carolina General Assembly**  
120th Session, 2013-2014

**H. 3125**

**STATUS INFORMATION**

General Bill

Sponsors: Reps. Hodges, M.S. McLeod and Mitchell

Document Path: I:\council\bill\nbd\11028ac13.docx

Introduced in the House on January 8, 2013

Currently residing in the House Committee on **Ways and Means**

Summary: Microenterprise Development Act

**HISTORY OF LEGISLATIVE ACTIONS**

Date	Body	Action Description with journal page number
12/11/2012	House	Prefiled
12/11/2012	House	Referred to Committee on <b>Ways and Means</b>
1/8/2013	House	Introduced and read first time ( <a href="#">House Journal-page 96</a> )
1/8/2013	House	Referred to Committee on <b>Ways and Means</b> ( <a href="#">House Journal-page 96</a> )
1/10/2013	House	Member(s) request name added as sponsor: M.S.McLeod
4/10/2013	House	Member(s) request name added as sponsor: Mitchell

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**VERSIONS OF THIS BILL**

12/11/2012

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## A BILL

TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, SO AS TO ENACT THE "MICROENTERPRISE DEVELOPMENT ACT" BY ADDING CHAPTER 55 TO TITLE 11 SO AS TO PROVIDE THAT THE DEPARTMENT OF COMMERCE SHALL ESTABLISH THE MICROENTERPRISE PARTNERSHIP PROGRAM TO PROMOTE AND FACILITATE THE DEVELOPMENT OF MICROENTERPRISES IN THIS STATE AND TO DEFINE "MICROENTERPRISE" AS A BUSINESS, WHETHER NEW OR EXISTING, INCLUDING STARTUP, HOME-BASED, AND SELF EMPLOYMENT, WITH FIVE OR FEWER EMPLOYEES; TO PROVIDE THAT THE DEPARTMENT SHALL AWARD GRANTS TO COMMUNITY ORGANIZATIONS TO MAKE LOANS AND DEVELOP LOAN SOURCES; TO ESTABLISH CRITERIA TO BE CONSIDERED IN AWARDING GRANTS; TO PROVIDE THAT APPROPRIATED FUNDS MAY BE AWARDED AS A GRANT TO MICROLOAN DELIVERY ORGANIZATIONS AND THAT SUCH GRANTS MUST BE MATCHED BY NONSTATE FUNDS; TO PROVIDE THE PURPOSE FOR WHICH GRANT FUNDS MAY BE EXPENDED; TO PROVIDE CERTAIN PROVISIONS THAT MUST BE IN A CONTRACT BETWEEN THE DEPARTMENT AND A STATEWIDE MICROLENDING SUPPORT ORGANIZATION; AND TO REQUIRE THE STATE TO SUBMIT AN ANNUAL REPORT TO THE GOVERNOR AND GENERAL ASSEMBLY.

Whereas, there is a need to encourage microenterprise entrepreneurship for microenterprise development; and

1 Whereas, there is a need to create employment and employment  
2 opportunities in areas of chronic economic distress and in  
3 low-income urban and rural areas; and

4  
5 Whereas, there is a need to build an environment conducive to  
6 business development and growth; and

7  
8 Whereas, microenterprises, including self-employment and startup  
9 businesses, are important elements of the South Carolina economy  
10 and play a vital role in job production, entrepreneurial skill  
11 development, and enhancing the capacity of low-income  
12 households to become more self-sufficient; and

13  
14 Whereas, microenterprises often do not have access to commercial  
15 sources of credit because of a lack of business experience or  
16 training, collateral to secure business loans, or business records to  
17 demonstrate their loan repayment potential; and

18  
19 Whereas, community-based microenterprise programs have  
20 demonstrated cost-effective delivery methods for providing  
21 microenterprise training and microloans; and

22  
23 Whereas, financial institutions are developing innovative ways to  
24 respond to this sector of the economy, including working with  
25 nonprofit community-based organizations; and

26  
27 Whereas, local and state charitable and foundation support, various  
28 federal programs, and private sector support could be leveraged by  
29 a statewide program for the development of the microenterprise  
30 and self-employment sectors. Now, therefore,

31  
32 Be it enacted by the General Assembly of the State of South  
33 Carolina:

34  
35 SECTION 1. Title 11 of the 1976 Code is amended by adding:

36  
37 "CHAPTER 55

38  
39 Microenterprise Development

40  
41 Section 11-55-10. This chapter may be cited as the  
42 'Microenterprise Development Act'.

43

1 Section 11-55-20. As used in this chapter:  
2 (1) 'Department' means the Department of Commerce.  
3 (2) 'Financial institution' means an organization authorized to  
4 do business under state or federal laws relating to financial  
5 institutions.  
6 (3) 'Microenterprise' means any business, whether new or  
7 existing, with five or fewer employees, including startup,  
8 home-based, and self-employed businesses.  
9 (4) 'Microloan' means any business loan up to twenty-five  
10 thousand dollars.  
11 (5) 'Microloan delivery organization' means a  
12 community-based or nonprofit program that has developed a viable  
13 plan for providing training, access to financing, and technical  
14 assistance for microenterprises.  
15 (6) 'Operating costs' means the costs associated with  
16 administering a loan or a loan guaranty, administering a revolving  
17 loan program, or providing for business training, and technical  
18 assistance to a microloan recipient.  
19 (7) 'Program' means the Microenterprise Partnership Program.  
20 (8) 'Statewide microlending support organization' means a  
21 community-based or nonprofit organization that has a  
22 demonstrated capacity and a plan for providing and administering  
23 grants or loans to microloan delivery organizations.

24  
25 Section 11-55-30. The purposes of this chapter are to:  
26 (1) better ensure that South Carolina's microenterprises are  
27 able to realize their full potential to create jobs, enhance  
28 entrepreneurial skills and activity, and increase the capacity of  
29 low-income households to become self-sufficient; and  
30 (2) facilitate the development of a permanent infrastructure of  
31 statewide microlending support organizations to serve the  
32 microenterprise and self-employment sectors.

33  
34 Section 11-55-40. The Department of Commerce shall  
35 establish the Microenterprise Partnership Program to coordinate  
36 and facilitate the development of microlending and  
37 microenterprises in this State and:  
38 (1) shall secure funding to provide grants to microloan delivery  
39 organizations for the development and financing of  
40 microenterprises, including identifying and coordinating state and  
41 federal sources of funds that may be available to the department to  
42 enhance the state's ability to facilitate program grants;

1 (2) may engage in contractual relationships with statewide  
2 microlending support organizations to assist with the  
3 administration of this program, including awarding and overseeing  
4 grants.

5  
6 Section 11-55-50. In developing criteria for awarding grants to  
7 microloan delivery organizations, the department shall consider the  
8 organization's:

9 (1) plan for providing business development services and  
10 microloans to microenterprises;

11 (2) plan for securing loan assistance from financial institutions;

12 (3) plan for coordinating the services and loans provided by the  
13 microloan delivery organization with loans from financial  
14 institutions;

15 (4) scope of services to be provided;

16 (5) ability to provide business development in areas of chronic  
17 economic distress and low-income regions of the State;

18 (6) area of the State to be served, with consideration being  
19 given to achieving equitable geographic distribution in awarding  
20 grants to areas of the State in need, including rural and urban  
21 communities and neighborhoods;

22 (7) ability to provide business training and technical assistance  
23 to microenterprise clients;

24 (8) ability to monitor and provide financial oversight of  
25 microloan recipients; and

26 (9) sources and sufficiency of operating funds.

27  
28 Section 11-55-60. Appropriated funds may be awarded as a  
29 grant to a microloan delivery organization if:

30 (1) the appropriated funds granted are matched by the  
31 microloan delivery organization with nonstate funds equivalent in  
32 money or in kind equal to one dollar for each one dollar of the  
33 grant funds requested. These matching funds may be secured from  
34 any nonstate source, including private foundations, federal or local  
35 government sources, quasi-governmental entities, or financial  
36 institutions or from any other entity whose funding source does not  
37 include funds appropriated by the General Assembly; and

38 (2) at least fifty percent of microloan funds are disbursed by  
39 the microloan delivery organization in microloans that do not  
40 exceed ten thousand dollars.

41  
42 Section 11-55-70. A grant made by the department to a  
43 microloan delivery organization may be used to:

- 1 (1) satisfy matching fund requirements for other federal or
- 2 private grants;
- 3 (2) establish a revolving loan fund from which the microloan
- 4 delivery organization may make loans to microenterprises;
- 5 (3) establish a guaranty fund from which the microloan
- 6 delivery organization may guarantee loans made by financial
- 7 institutions to microenterprises; and
- 8 (4) provide funding for the operating costs of a microloan
- 9 delivery organization.

10

11 Section 11-55-80. If the department enters into a contractual  
12 relationship with a statewide microlending support organization,  
13 the contract must state that:

14 (1) appropriated funds granted to the statewide microlending  
15 support organization must be matched by the organization with  
16 nonstate funds equivalent in money or in kind equal to one dollar  
17 for each one dollar of the grant funds requested; these matching  
18 funds may be secured from any nonstate source, including private  
19 foundations, federal or local government sources,  
20 quasi-governmental entities, or financial institutions or any other  
21 entity whose funding source does not include funds appropriated  
22 by the General Assembly;

23 (2) if awarding grants, the statewide microlending support  
24 organization shall award and administer the grants in accordance  
25 with the purposes of and in compliance with this chapter; and

26 (3) no greater than ten percent of appropriated or contracted  
27 funds may be used for operating or administering the grant  
28 program.

29

30 Section 11-55-90. The department shall submit an annual report  
31 to the Governor and the General Assembly before January first of  
32 each year that must include, but is not limited to, the demand for  
33 grants and a description of the type of applicants who have sought  
34 grants from the Microenterprise Partnership Program, a list of the  
35 recipients, the amount of each grant awarded and the intended  
36 purpose of each grant, the impact of grants awarded, which may  
37 include information from previous years, a number and description  
38 of the partnerships between financial institutions and microloan  
39 delivery organizations that have resulted from grants made to  
40 microloan delivery organizations, and an evaluation of the  
41 program's performance based on the purposes of this chapter.

42



1 Section 11-55-100. The department shall promulgate  
2 regulations to carry out the provisions of this chapter.”

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4 SECTION 2. This act takes effect January 1, 2014.

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