COMMITTEE REPORT

April 18, 2013

**H. 3125**

Introduced by Reps. Hodges, M.S. McLeod, Mitchell, Whipper and R.L. Brown

S. Printed 4/18/13--H.

Read the first time January 8, 2013.

**THE COMMITTEE ON WAYS AND MEANS**

To whom was referred a Bill (H. 3125) 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, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass:

W. BRIAN WHITE for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:

$0 (No additional expenditures or savings are expected)

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:

$0 (No additional expenditures or savings are expected)

**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, and additional $10,000 is needed for office equipment, increasing the first year cost to $100,000.

*Approved By:*

Brenda Hart

Office of State Budget

**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

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

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

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

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

Whereas, community‑based microenterprise programs have demonstrated cost‑effective delivery methods for providing microenterprise training and microloans; and

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

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

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

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

“CHAPTER 55

Microenterprise Development

Section 11‑55‑10. This chapter may be cited as the ‘Microenterprise Development Act’.

Section 11‑55‑20. As used in this chapter:

(1) ‘Department’ means the Department of Commerce.

(2) ‘Financial institution’ means an organization authorized to do business under state or federal laws relating to financial institutions.

(3) ‘Microenterprise’ means any business, whether new or existing, with five or fewer employees, including startup, home‑based, and self‑employed businesses.

(4) ‘Microloan’ means any business loan up to twenty‑five thousand dollars.

(5) ‘Microloan delivery organization’ means a community‑based or nonprofit program that has developed a viable plan for providing training, access to financing, and technical assistance for microenterprises.

(6) ‘Operating costs’ means the costs associated with administering a loan or a loan guaranty, administering a revolving loan program, or providing for business training, and technical assistance to a microloan recipient.

(7) ‘Program’ means the Microenterprise Partnership Program.

(8) ‘Statewide microlending support organization’ means a community‑based or nonprofit organization that has a demonstrated capacity and a plan for providing and administering grants or loans to microloan delivery organizations.

Section 11‑55‑30. The purposes of this chapter are to:

(1) better ensure that South Carolina’s microenterprises are able to realize their full potential to create jobs, enhance entrepreneurial skills and activity, and increase the capacity of low‑income households to become self‑sufficient; and

(2) facilitate the development of a permanent infrastructure of statewide microlending support organizations to serve the microenterprise and self‑employment sectors.

Section 11‑55‑40. The Department of Commerce shall establish the Microenterprise Partnership Program to coordinate and facilitate the development of microlending and microenterprises in this State and:

(1) shall secure funding to provide grants to microloan delivery organizations for the development and financing of microenterprises, including identifying and coordinating state and federal sources of funds that may be available to the department to enhance the state’s ability to facilitate program grants;

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

Section 11‑55‑50. In developing criteria for awarding grants to microloan delivery organizations, the department shall consider the organization’s:

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

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

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

(4) scope of services to be provided;

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

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

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

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

(9) sources and sufficiency of operating funds.

Section 11‑55‑60. Appropriated funds may be awarded as a grant to a microloan delivery organization if:

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

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

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

(1) satisfy matching fund requirements for other federal or private grants;

(2) establish a revolving loan fund from which the microloan delivery organization may make loans to microenterprises;

(3) establish a guaranty fund from which the microloan delivery organization may guarantee loans made by financial institutions to microenterprises; and

(4) provide funding for the operating costs of a microloan delivery organization.

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

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

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

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

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

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

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

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