COMMITTEE REPORT

April 9, 2014

**H. 3125**

Introduced by Reps. Hodges, M.S. McLeod, Mitchell, Whipper, R.L. Brown, Hiott, Toole, Hardee, Cobb‑Hunter, Dillard and Robinson‑Simpson

S. Printed 4/9/14--S.

Read the first time June 4, 2013.

**THE COMMITTEE ON FINANCE**

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 with amendment:

Amend the bill, as and if amended, by striking all after the enacting words and inserting:

/ SECTION 1. A. 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 private 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. Authorized funds may be awarded as a grant to a microloan delivery organization if:

(1) the authorized 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) authorized 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 authorized 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.”

B. This SECTION takes effect January 1, 2014.

SECTION 2. (A) There is established a Clean Energy Industry Manufacturing Market Development Advisory Commission to assist in the development of clean energy technology, materials, and products manufactured in this State.

(B) The commission is composed of fourteen members. The Secretary of the South Carolina Department of Commerce, or the secretary’s designee, and the Director of the State Energy Office, or the director’s designee, shall serve on the commission and the Secretary of Commerce shall appoint one member representative from each of the following:

(1) advanced vehicle technology industry;

(2) alternative transportation fuels industry;

(3) battery manufacturing industry;

(4) biomass energy industry;

(5) energy efficiency industry;

(6) higher education research institution’s incubation and business development department;

(7) hydroelectric industry;

(8) hydrogen storage or fuel cell industry;

(9) solar manufacturing industry;

(10) S.C. Technical College System’s clean energy workforce development department;

(11) utility industry; and

(12) wind components manufacturing industry.

(C) Appointed members serve at the pleasure of their appointing authority and without compensation or expenses.

(D) The commission must meet as soon as practicable after appointment and organize itself. The chairman must be designated by the Secretary of Commerce and the commission shall select its own vice chairman and adopt those procedures necessary for its operations. A majority of the members constitutes a quorum to do business. As necessary, the Secretary of Commerce may expend public funds and may solicit, receive, and expend private funds from any relevant sources and entities in order to carry out the commission’s purposes. The Secretary of Commerce, on behalf of the commission, may utilize department staff or engage consultants as may be necessary and prudent to assist the commission in the performance of its duties and responsibilities; however, the Secretary of Commerce may not expend more than one hundred thousand dollars in the aggregate to engage consultants. Also, the Department of Commerce may seek the assistance of the staff of the State Energy Office, as necessary.

(E) Not later than December 31, 2014, the commission shall provide to the Governor and the General Assembly an initial report which must include, to the extent possible, the following:

(1) a description and analysis of this state’s existing clean energy manufacturing industry;

(2) an analysis of job development potential for clean energy manufacturing in this State, including the expected composition of the jobs as full‑ or part‑time, and the potential wages for such jobs;

(3) an analysis of market potential in this State, in other states, or in foreign countries for technology, materials, and products manufactured by a clean energy industry from this State;

(4) recommendations for actions which may be taken to provide incentives for manufacturing or operation of clean energy technology, materials, and products from this State. These recommendations must contain an analysis of existing incentives, including, but not limited to, those incentives provided for in Sections 12‑6‑3377, 12‑6‑3588, 12‑6‑3600, and 12‑6‑3610, the effectiveness or lack thereof, and whether any incentives should be amended or repealed. If the commission recommends additional incentives, the commission must forward its recommendation to the Board of Economic Advisors to prepare a revenue impact statement;

(5) an analysis of incentives offered by neighboring and other states for the manufacturing or operation of clean energy technology, materials, and products;

(6) recommendations on categories of clean energy markets that should be developed in this State and benchmarks to increase clean energy manufacturing in this State; and

(7) recommendations for marketing and public education programs that should be implemented by economic development entities to provide information to the public and to business and industry on the benefits of investment in the clean energy manufacturing industry in this State. Any such recommendations shall include a fiscal impact statement from the Office of State Budget.

(F) The commission shall issue a final report by September 30, 2015. The final report must include all the items required by subsection (E) and any revisions to the initial report. Following the submission of its final report, and unless authorized by a further or subsequent enactment, the commission is dissolved. The General Assembly may extend the date by which the commission must provide its reports.

(G) The dissolution of the commission must not be construed so as to restrict the Secretary of Commerce from appointing an advisory council pursuant to Section 13‑1‑40 on matters similar to the jurisdiction of the Clean Energy Industry Manufacturing Market Development Advisory Commission.

SECTION 3. Except as provided otherwise, this act takes effect upon approval by the Governor. /

Renumber sections to conform.

Amend title to conform.

HUGH K. LEATHERMAN, SR. for Committee.

**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:

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

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

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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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