

SENATE BILL NO. 130

INTRODUCED BY D. RYAN

BY REQUEST OF THE DEPARTMENT OF COMMERCE

A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING THE TRANSFER OF INTEREST EARNED ON THE MICROBUSINESS DEVELOPMENT LOAN ACCOUNT TO THE MICROBUSINESS FINANCE PROGRAM ADMINISTRATIVE ACCOUNT; REQUIRING THE RETENTION OF INTEREST EARNED BY THE MICROBUSINESS FINANCE PROGRAM ADMINISTRATIVE ACCOUNT; AMENDING SECTION 17-6-407, MCA; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 17-6-407, MCA, is amended to read:

"17-6-407. Microbusiness development loan account and finance program administrative account -- criteria -- limitations. (1) (a) There is in the state special revenue fund a microbusiness development loan account into which the funds appropriated pursuant to section 11, Chapter 602, Laws of 1991, money appropriated pursuant to section 3, Chapter 413, Laws of 1995, and money received in repayment of the principal of development loans must be deposited.

(b) The department may make development loans from the account to a certified microbusiness development corporation.

(c) Interest earned on the account must be deposited in the microbusiness finance program administrative account established in subsection (2).

(2) There is in the state special revenue fund a microbusiness finance program administrative account into which must be deposited:

(a) all interest received on development loans received directly from microbusiness development corporations;

(b) service charges or fees received from certified microbusiness development corporations; ~~and~~

(c) grants, donations, and private or public income; and

(d) all interest earned on money in the account and interest earned on money in the account provided for in subsection (1)(a).



1 (3) Money in the administrative account may be transferred to the development loan account or be used
2 to pay the costs of the program, including personnel, travel, equipment, supplies, consulting costs, and other
3 operating expenses of the program.

4 (4) Subject to subsection (1), a certified microbusiness development corporation that receives a
5 development loan may apply for an additional loan if the applicant meets the performance criteria established
6 by the department.

7 (5) To establish the criteria for making development loans, the department shall consider:

8 (a) the plan for providing services to microbusinesses;

9 (b) the scope of services to be provided by the certified microbusiness development corporation;

10 (c) the geographic representation of all regions of the state, including urban, rural[, and tribal]
11 communities;

12 (d) the plan for providing service to minorities, women, and low-income persons;

13 (e) the ability of the corporation to provide business training and technical assistance to microbusiness
14 clients;

15 (f) the ability of the corporation, with ~~its~~ a plan, to:

16 (i) monitor and provide financial oversight of recipients of microbusiness loans;

17 (ii) administer a revolving loan fund; and

18 (iii) investigate and qualify financing proposals and to service credit accounts;

19 (g) sources and sufficiency of operating funds for the certified microbusiness development corporation;

20 and

21 (h) the intent of the corporation, with ~~its~~ a plan and written indications of local institutional support, to
22 provide services to a designated multicounty region of the state.

23 (6) Development loan funds may be used by a certified microbusiness development corporation to:

24 (a) satisfy matching fund requirements for other state, federal, or private funding only if funding is
25 intended and used for the purpose of providing or enhancing the certified microbusiness development
26 corporation's ability to provide and administer loans, technical assistance, or management training to
27 microbusinesses;

28 (b) establish a revolving loan fund from which the certified microbusiness development corporation may
29 make loans to qualified microbusinesses, provided that a single loan does not exceed \$35,000 and the
30 outstanding balance of all loans to a microbusiness or a project participated in by more than one microbusiness

1 or to two or more microbusinesses in which any one person holds more than a 20% equity share does not
2 exceed \$35,000;

3 (c) establish a guarantee fund from which the certified microbusiness development corporation may
4 guarantee loans made by financial institutions to qualified microbusinesses. However, a single guarantee may
5 not exceed \$35,000, and the aggregate of all guarantees to a microbusiness or a project participated in by more
6 than one microbusiness or to two or more microbusinesses in which any one person holds more than a 20%
7 equity share may not exceed \$35,000.

8 (7) Development loan funds may not be:

9 (a) loaned for relending or investment in stocks, bonds, or other securities or for property not intended
10 for use in production by the recipient of the loan; or

11 (b) used to:

12 (i) refinance a nonperforming loan held by a financial institution; or

13 (ii) pay the operating costs of a certified microbusiness development corporation. However, interest
14 income earned from the proceeds of a development loan may be used to pay operating expenses.

15 (8) Certified microbusiness development corporations are required to contribute cash from other
16 sources to leverage and secure development loans from the program. Contributions provided by the corporation
17 must be on a ratio of at least \$1 from other sources for each \$6 from the program. These contributions may
18 come from a public or private source other than the program and may be in the form of equity capital, loans, or
19 grants.

20 (9) Development loans must be made pursuant to a development loan agreement and may be
21 amortization or term loans, bear interest at less than the market rate, be renewable, be callable, and contain
22 other terms and conditions considered appropriate by the department and that are consistent with the purposes
23 of and with rules promulgated to implement this part.

24 (10) Each certified microbusiness development corporation that receives a development loan under this
25 part shall provide the department with an annual audit from an independent certified public accountant. The audit
26 must cover all of the microbusiness development corporation's activities and must include verification of
27 compliance with requirements specific to the microbusiness program.

28 (11) A certified microbusiness development corporation that is in default for nonperformance under rules
29 established by the department may be required to refund the outstanding balance of development loans awarded
30 prior to the default declaration. A development loan is secured by a first lien on all funds and all receivables

1 administered under the authority of the microbusiness development act by the corporation receiving the loan.

2 (Bracketed language terminates June 30, 2005--sec. 5, Ch. 69, L. 2001.)"

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4 NEW SECTION. **Section 2. Effective date.** [This act] is effective July 1, 2005.

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