HOUSE BILL No. 1192

DIGEST OF INTRODUCED BILL

Citations Affected: IC 5-20; IC 5-28.

Synopsis: Microenterprise partnership program. Transfers administration of the microenterprise partnership program from the Indiana economic development corporation to the Indiana housing and community development authority. Renames the "microenterprise partnership program fund" administered by the Indiana economic development corporation as the "small business development fund". Creates a new microenterprise partnership program fund under administration of the Indiana housing and community development authority. Repeals the law concerning the microenterprise partnership program administered by the Indiana economic development corporation.

Effective: Upon passage; July 1, 2011.

Heaton, Burton, Kersey, Welch

January 10, 2011, read first time and referred to Committee on Commerce, Small Business and Economic Development.

C o p y

Introduced

First Regular Session 117th General Assembly (2011)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type.~~

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~*this style type*~~ reconciles conflicts between statutes enacted by the 2010 Regular Session of the General Assembly.

C o p y

HOUSE BILL No. 1192

A BILL FOR AN ACT to amend the Indiana Code concerning state and local administration.

Be it enacted by the General Assembly of the State of Indiana:

SECTION 1. IC 5-20-7 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2011]:

Chapter 7. Microenterprise Partnership Program Fund

Sec. 1. As used in this chapter, "authority" refers to the Indiana housing and community development authority created by IC 5-20-1-3.

Sec. 2. As used in this chapter, "fund" refers to the microenterprise partnership program fund established by section 3 of this chapter.

Sec. 3. The microenterprise partnership program fund is established within the state treasury. The purpose of the fund is to carry out the microenterprise partnership program under IC 5-20-8.

Sec. 4. The fund consists of:

(1) appropriations from the general assembly;

(2) federal grants; and

(3) gifts.

Sec. 5. The authority shall administer the fund. The following may be paid from money in the fund:

(1) Expenses of administering the fund.

(2) Nonrecurring administrative expenses incurred to carry out the purposes of this chapter and IC 5-20-8.

Sec. 6. The treasurer of state shall invest the money in the fund not currently needed to meet the obligations of the fund in the same manner as other public funds may be invested. Interest that accrues from these investments shall be deposited in the fund.

Sec. 7. Money in the fund at the end of a state fiscal year does not revert to the state general fund.

Sec. 8. The fund is subject to an annual audit by the state board of accounts. The full costs of the audit shall be paid from money in the fund.

SECTION 2. IC 5-20-8 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2011]:

Chapter 8. Microenterprise Partnership Program

Sec. 1. As used in this chapter, "authority" refers to the Indiana housing and community development authority created by IC 5-20-1-3.

Sec. 2. As used in this chapter, "microenterprise" means a business having not more than five (5) employees. The term includes startup, home based, and self-employed businesses.

Sec. 3. As used in this chapter, "microloan" means a business loan of not more than twenty-five thousand dollars ($25,000).

Sec. 4. As used in this chapter, "microloan delivery organization" means a community based or nonprofit program that:

(1) has developed a viable plan for providing training, access to financing, and technical assistance to microenterprises; and

(2) meets the criteria and qualifications set forth in this chapter.

Sec. 5. As used in this chapter, "operating costs" refers to the costs associated with administering a loan or a loan guaranty, administering a revolving loan program, or providing business training and technical assistance to a microloan recipient.

Sec. 6. As used in this chapter, "program" refers to the microenterprise partnership program established under section 7 of this chapter.

Sec. 7. (a) The authority shall establish the microenterprise

C o p y

partnership program to provide grants to microloan delivery organizations.

(b) A grant provided under subsection (a) may not exceed twenty-five thousand dollars ($25,000).

(c) A microloan delivery organization receiving a grant under this section must use the grant for the purposes set forth in this chapter.

Sec. 8. To establish the criteria for making a grant to a microloan delivery organization, the authority shall consider the following:

(1) The microloan delivery organization's plan for providing business development services and microloans to microenterprises.

(2) The scope of services provided by the microloan delivery organization.

(3) The microloan delivery organization's plan for coordinating the services and loans provided under this chapter with those provided by commercial lending institutions.

(4) The geographic representation of all regions of Indiana, including both urban and rural communities and neighborhoods.

(5) The microloan delivery organization's emphasis on supporting female and minority entrepreneurs.

(6) The ability of the microloan delivery organization to provide business training and technical assistance to microenterprises.

(7) The ability of the microloan delivery organization to monitor and provide financial oversight of recipients of microloans.

(8) The sources and sufficiency of the microloan delivery organization's operating funds.

Sec. 9. A grant received by a microloan delivery organization may be used for the following purposes:

(1) To satisfy matching fund requirements for federal or private grants.

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

(3) To establish a guaranty fund from which the microloan delivery organization may guarantee loans made by commercial lending institutions to microenterprises.

C o p y

(4) To pay the operating costs of the microloan delivery organization. However, not more than ten percent (10%) of a grant may be used for this purpose.

Sec. 10. Money appropriated to the program must be matched by at least an equal amount of money derived from any of the following nonstate sources:

(1) Private foundations.

(2) Federal sources.

(3) Local government sources.

(4) Quasi-governmental entities.

(5) Commercial lending institutions.

(6) Any other source whose funds do not include money appropriated by the general assembly.

Sec. 11. At least fifty percent (50%) of the microloan money disbursed by a microloan delivery organization must be disbursed in microloans that do not exceed ten thousand dollars ($10,000).

Sec. 12. The authority may prescribe standards, procedures, and other guidelines to implement this chapter.

Sec. 13. The authority may use money in the microenterprise partnership program fund established by IC 5-20-7-3 or any other money available to the authority to carry out this chapter.

Sec. 14. Before August 1 of each year, the authority shall submit to the budget committee a supplemental report on a longitudinal study:

(1) describing the economic development outcomes resulting from microloans made under this chapter; and

(2) evaluating the effectiveness of the microloan delivery organizations and the microloans made under this chapter in:

(A) expanding employment and self-employment opportunities in Indiana; and

(B) increasing the incomes of persons employed by microenterprises.

SECTION 3. IC 5-28-17-1, AS AMENDED BY P.L.56-2009, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 1. (a) The corporation shall do the following to carry out this chapter:

(1) Contribute to the strengthening of the economy of Indiana by encouraging the organization and development of new business enterprises, including technologically oriented enterprises.

(2) Submit an annual report to the governor and to the general assembly not later than November 1 of each year. The annual report must:

C o p y

(A) include detailed information on the structure, operation, and financial status of the corporation, including:

(i) detailed information on the corporation's efforts to support the development of small businesses under this chapter; and

(ii) an evaluation of the results of the corporation's efforts to encourage the development of small businesses under this chapter; and

(B) be in an electronic format under IC 5-14-6.

The board shall conduct an annual public hearing to receive comment from interested parties regarding the annual report, and notice of the hearing shall be given at least fourteen (14) days before the hearing in accordance with IC 5-14-1.5-5(b).

(3) Approve and administer loans from the ~~microenterprise partnership program~~ **small business development** fund established by IC 5-28-18.

(4) Conduct activities for nontraditional entrepreneurs under IC 5-28-18.

(5) Establish and administer the small and minority business financial assistance program under IC 5-28-20.

~~(6) Establish and administer the microenterprise partnership program under IC 5-28-19.~~

~~(7)~~ **(6)** Assist small businesses in obtaining state and federal tax incentives.

~~(8)~~ **(7)** Maintain, through the Small Business Development Centers, a statewide network of public, private, and educational resources to, among other things, inform small businesses of the state and federal programs under which they may obtain financial assistance or realize reduced costs through programs such as the small employer health insurance pooling program under IC 27-8-5-16(8).

(b) The corporation may do the following to carry out this chapter:

(1) Receive money from any source, enter into contracts, and expend money for any activities appropriate to its purpose.

(2) Do all other things necessary or incidental to carrying out the corporation's functions under this chapter.

(3) Establish programs to identify entrepreneurs with marketable ideas and to support the organization and development of new business enterprises, including technologically oriented enterprises.

(4) Conduct conferences and seminars to provide entrepreneurs with access to individuals and organizations with specialized

C o p y

expertise.

(5) Establish a statewide network of public, private, and educational resources to assist the organization and development of new enterprises.

(6) Operate a small business assistance center to provide small businesses, including minority owned businesses and businesses owned by women, with access to managerial and technical expertise and to provide assistance in resolving problems encountered by small businesses.

(7) Cooperate with public and private entities, including the Indiana Small Business Development Center Network and the federal government marketing program, in exercising the powers listed in this subsection.

(8) Establish and administer the small and minority business financial assistance program under IC 5-28-20.

(9) Approve and administer loans from the ~~microenterprise partnership program~~ **small business development** fund established by IC 5-28-18.

(10) Coordinate state funded programs that assist the organization and development of new enterprises.

SECTION 4. IC 5-28-18-2, AS ADDED BY P.L.4-2005, SECTION 34, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 2. As used in this chapter, "fund" refers to the ~~microenterprise partnership program~~ **small business development** fund established by section 7 of this chapter.

SECTION 5. IC 5-28-18-6, AS ADDED BY P.L.4-2005, SECTION 34, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 6. (a) The general assembly makes the following findings of fact:

(1) There exists in Indiana an inadequate amount of locally managed, pooled investment capital in the private sector available to invest in new and existing business ventures, including business ventures by nontraditional entrepreneurs.

(2) Investing capital and business management advice in new and existing business ventures, including business ventures by nontraditional entrepreneurs, will enhance economic development and create and retain employment in Indiana. This investment will enhance the health and general welfare of the people of Indiana, and it constitutes a public purpose.

(3) Nontraditional entrepreneurs have not engaged in entrepreneurship and self-employment to the extent found in the mainstream of Indiana's population. Realizing the potential of

C o p y

these nontraditional entrepreneurs will enhance Indiana's economic vitality.

(b) It is the policy of the state to promote economic development and entrepreneurial talent of Indiana's inhabitants by the creation of the ~~microenterprise partnership program~~ **small business development** fund for the public purpose of promoting opportunities for gainful employment and business opportunities.

SECTION 6. IC 5-28-18-7, AS ADDED BY P.L.4-2005, SECTION 34, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 7. (a) The ~~microenterprise partnership program~~ **small business development** fund is established within the state treasury. The fund is a revolving fund to:

(1) provide loans approved by the corporation under this chapter and IC 5-28-17; **and**

(2) provide loans or loan guarantees under the small and minority business financial assistance program established by IC 5-28-20-9. ~~and~~

~~(3) carry out the microenterprise partnership program under IC 5-28-19.~~

(b) The fund consists of appropriations from the general assembly and loan repayments.

(c) The corporation shall administer the fund. The following may be paid from money in the fund:

(1) Expenses of administering the fund.

(2) Nonrecurring administrative expenses incurred to carry out the purposes of this chapter ~~IC 5-28-19,~~ and IC 5-28-20.

(d) Earnings from loans made under this chapter shall be deposited in the fund.

(e) The treasurer of state shall invest the money in the fund not currently needed to meet the obligations of the fund in the same manner as other public funds may be invested. Interest that accrues from these investments shall be deposited in the state general fund.

(f) Money in the fund at the end of a state fiscal year does not revert to the state general fund.

(g) The fund is subject to an annual audit by the state board of accounts. The fund shall bear the full costs of the audit.

(h) With respect to loans or loan guarantees made from the fund before July 1, 2011, references in law or loan documents made to the microenterprise partnership program fund before July 1, 2011, shall be construed after June 30, 2011, as references to the small business development fund.

SECTION 7. IC 5-28-20-2, AS ADDED BY P.L.4-2005, SECTION

C o p y

34, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 2. As used in this chapter, "fund" refers to the ~~microenterprise partnership program~~ **small business development** fund established by IC 5-28-18-7.

SECTION 8. IC 5-28-19 IS REPEALED [EFFECTIVE JULY 1, 2011].

SECTION 9. [EFFECTIVE UPON PASSAGE] **(a) As used in this SECTION, "authority" refers to the Indiana housing and community development authority created by IC 5-20-1-3.**

(b) As used in this SECTION, "IEDC" refers to the Indiana economic development corporation established by IC 5-28-3-1.

(c) The IEDC shall cooperate with the authority to transfer the following from the IEDC to the authority:

(1) Money in the microenterprise partnership program fund under IC 5-28-18, before being renamed by this act, that was designated for use by the microenterprise partnership program under IC 5-28-19, before its repeal by this act.

(2) Accounting records of grants made from the microenterprise partnership program under IC 5-28-19, before its repeal by this act.

(3) Files and any other data pertaining to grants made from the microenterprise partnership program under IC 5-28-19, before its repeal by this act.

(d) The authority shall deposit money transferred under subsection (c)(1) in the microenterprise partnership program fund established by IC 5-20-7-3, as added by this act.

(e) The transfers under subsection (c) shall be made as soon as practicable on or after July 1, 2011.

(f) This SECTION expires December 31, 2011.

SECTION 10. **An emergency is declared for this act.**

C o p y