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MINORITY, WOMAN BUSINESS LOAN PROGRAM

House Bills 4147 and 4148
Sponsor: Rep. Joseph Young, Jr.
Committee: Economic Development and Energy

Complete to 2-27-89

A SUMMARY OF HOUSE BILLS 4147 AND 4148 AS INTRODUCED 2-14-89

House Bill 4147 would establish the Minority and Woman Business Enterprise Loan Act. It would create a seven-person board in the Department of Commerce to administer a development fund to make loans to minority and woman-owned businesses in need of facilities and equipment. In addition to the loan fund, the bill would establish a minority contractors' bonding account in the state treasury.

To qualify for a loan, a business would have to obtain state certification that at least 51 percent of its ownership and control was in the hands of Michigan residents who are women or come from such disadvantaged groups as Blacks, Native Americans, Hispanics, and Asians. The financing board could make a loan of up to 40 percent of the cost of a proposed project only after finding that a project was economically sound, would create jobs, and would expand minority or woman business enterprise; that the seeker of the loan could not finance the project at "comparable terms" from other sources; that the value of the project would equal at least the money spent in its creation; and that other public or private sources would provide a minimum of 50 percent of the necessary funds. In addition, the board would have to require that the loan be secured by a mortgage or any other pledge, and find that the borrower has not defaulted on previous loans from the board, and that the enterprise could succeed in the private sector with the necessary financial, technical, and managerial support from the board or another acceptable source. Funds for loans could come from "all money" designated by the board for that purpose. The board would take action on an application within 60 days of receiving the loan application.

The board could also provide bonding for minority and woman contractors from the special account if they had been denied by at least two surety companies. Contractors would have to pay premiums of no more than two percent of the penal sums in the bonds. Premiums would go into the bonding account, which could also receive funds from appropriations, all grants and gifts obtained by the board, and money recovered from defaults.

The bill would empower the board to receive grants and gifts from the federal government, local governments, and private sources. The board could agree to repay contributions by way of bonds or notes, excluding payment of interest. It could also acquire property, invest excess funds in government and private instruments and accounts, and make its own grants. If the cost of any contract might exceed $1,000, the board would have to seek competitive bids. The board could not grant a loan or enter into a mortgage unless the agreement specified that workers would receive the prevailing wage, that a private beneficiary of the proposed project would have construction performed by workers covered under a regular collective bargaining agreement, or that wages were specified under federal grant or loan agreements. All of the board's expenses and obligations would have to be paid from grants and gifts, the funds established by the board, or appropriations. The bill would not authorize the board to incur indebtedness or impose liability on the state.

House Bill 4148 would amend Public Act 165 of 1975, which created the commerce department's Division of Minority Business Enterprise. The bill would change the division's name to the Division of Minority and Woman Business Enterprise and would require it to review applications for loans from the minority development financing board to determine whether the applicants are state certified. The division would also have the authority to accept grants, gifts, loans, and other financial aid, and enter into contracts with other agencies for purposes of accepting aid. The bill would delete the existence of the seven-member statewide minority business advisory council. The bill would also direct the department's director to report on the division's activities by February 1 of each year to the governor and the legislature.

(MCL 125.1224).

The bills are tie-barred.