

MICROENTERPRISE DEVELOPMENT

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House Bill 6051 ((Substitute H-1))
Sponsor: Rep. Jon Switalski

House Bill 6052 (Substitute H-1)
Sponsor: Rep. Gary McDowell
Committee: Banking and Financial Services

Complete to 5-12-10

A SUMMARY OF HOUSE BILLS 6051 & 6052 AS REPORTED FROM COMMITTEE

Together, the bills would amend the Michigan Strategic Fund Act to require the MSF to operate a Center for Microenterprise Development; create a Microenterprise Fund; and establish a Microenterprise Development Advisory Board to assist in developing policies and in awarding grants and loans. The provisions of the two bills are intertwined and together create a new Chapter 7A in the MSF Act (MCL 125.2079a, et al.). House Bill 6052 is tied to House Bill 6051, meaning it cannot take effect unless both bills are enacted.

Center Grants and Loans to Community-based Nonprofits

The Center would make grants and loans to community-based, nonprofit organizations — referred to as microenterprise development organizations — that have a demonstrated capacity and plan for providing business training, technical assistance, and business loans to businesses with five or fewer employees, including startup businesses, home-based businesses, and self-employed individuals. (These businesses would be called microenterprise businesses.) Loans to the nonprofits would be made at zero interest for up to five years and would be renewable. Grants made to a nonprofit for administration, business training, and technical assistance could not exceed one-half of the organization's annual operating costs. Nonprofit recipients would have to provide periodic performance reports.

Purpose of Grants and Loans (HB 6052)

The nonprofits that receive the grants and loans would use these funds to administer loan or loan guarantee programs; administer revolving loan programs; provide business training and technical assistance; and provide business loans. Loans or grants made to a microenterprise business could not exceed \$35,000 per year and at least one-half of the loans and grants made could not exceed \$10,000.

Microenterprise Fund (HB 6051)

The grants and loans would be made out of a specially created Michigan Microenterprise Fund. The bill anticipates appropriations for the new Fund and allows the Fund to accept money from any public or private source; however, no specific source of funding is provided in the bill. The Center would be required to actively seek new federal sources and private sources of funding.

Loan and Grant Criteria (HB 6052)

Loans and grants would be made to community-based nonprofits (the microenterprise development organizations) based on the following criteria: (1) a plan for providing business development training, technical assistance, loans, and grants to microenterprise businesses; (2) the scope of the training and technical assistance services; (3) a plan for coordinating training, technical assistance, loans, and grants with other nonprofit and commercial financial institutions; (4) a plan and the capacity for providing training, technical assistance, and business loans; and (5) the ability of the nonprofit development organization to provide financial oversight of loans and grants. The Center and Fund would have to obtain input and assistance from individuals knowledgeable about microenterprise development in awarding grants and loans. Further, a person who had been convicted of a felony would not be eligible for a loan if the microenterprise development organization determined the conviction would materially impact the person's ability to repay the loan.

Annual Report by the Center (HB 6052)

The Center would have to report to the Governor and each house of the Legislature each year on the amount of loans and grants, individually identified, to each nonprofit microenterprise development organization; the amount and recipient of every loan and grant made by a nonprofit; types and individual units of business training and technical assistance provided by nonprofits; evaluation of the demand for and effectiveness of the program; and providing business loans.

FISCAL IMPACT:

House Bills 6051 and 6052 would have an indeterminate fiscal impact on state and local government. The size of the Center for Microenterprise Development is not defined in the bill. Moreover, the size of the grant and loan program offered by the Center for Microenterprise Development is not defined. The bill does not provide a specific source of funding for the proposed Michigan Microenterprise Fund.

POSITIONS:

The following indicated support for the bill to the House Committee on Banking and Financial Services on 4-29-10: the Small Business Association of Michigan; Grand Rapids Opportunities for Women (GROW); Northern Initiatives (UP-based community development financial institution); a representative of Pathways Out of Poverty (a Mott Foundation-related program); the Entrepreneur Institute; and representatives from the Center for Empowerment and Economic Development or CEED (an organization that provides entrepreneurs and business owners with administrative, financial, and professional enrichment support services).

The Michigan Economic Development Corporation (MEDC) indicated that it is neutral on the bills. (4-29-10)

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.