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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2014

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A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT - RHODE ISLAND SMALL  
BUSINESS MINORITY LENDING SET-ASIDE PROGRAM

Introduced By: Representatives Almeida, Marshall, Carnevale, Williams, and Diaz

Date Introduced: February 26, 2014

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 42 of the General Laws entitled "STATE AFFAIRS AND  
2 GOVERNMENT" is hereby amended by adding thereto the following chapter:

3 CHAPTER 64.20

4 RHODE ISLAND SMALL BUSINESS MINORITY LENDING SET-ASIDE PROGRAM

5 **42-64.20-1. Short title.** - This chapter shall be known as and may be cited as the "Rhode  
6 Island Small Business Minority Lending Set-Aside Program."

7 **42-64.20-2. Findings of fact.** - The general assembly finds and declares as follows:

8 (1) In 2010, the Small Business Jobs Act of 2010 (the Act) created the State Small  
9 Business Credit Initiative (SSBCI).

10 (2) The state of Rhode Island was awarded approximately thirteen million and one  
11 hundred thousand dollars (\$13,100,000) through the SSBCI Program from the Federal Small  
12 Business Jobs Act of 2010 to help spur lending to small businesses.

13 (3) To date, Rhode Island has opted to operate a state-run venture capital program.

14 (4) The Small Business Jobs Act of 2010 provides that all programs must include a state  
15 plan to use the federal contributions to the reserve fund to provide access to capital for small  
16 businesses in low and moderate income, minority and other underserved communities including  
17 women and minority owned small businesses.

18 (5) The United States Treasury's SSBCI loan program enacted in 2010 bases financial

1 allocations on state population in relation to the percent of state unemployment.

2 (6) The United States Treasury's allocation process supports establishing a state set-aside  
3 based on minority population.

4 **42-64.20-3. Definitions. - As used in this chapter:**

5 (1) "CBO" means a community-based organization;

6 (2) "Micro-business" means a business that has one employee-owner and proprietor,  
7 with zero to four (4-4) other employees, and gross receipts of seventy thousand dollars (\$70,000)  
8 or less annually, averaged over the two (2) fiscal years preceding the application for a micro-  
9 business loan or for collateral support pursuant to this chapter;

10 (3) "Minority" and "minority business enterprise" have the same meanings as set forth in  
11 chapter 14.1 of title 37;

12 (4) "Minority business" shall include a minority business enterprise; and

13 (5) "SSBCI" means the State Small Business Credit Initiative.

14 **42-64.20-4. Allocation of SSBCI funds to minority business enterprises owners. - (a)**

15 Of the three million four hundred sixty-six thousand nine hundred and three dollars (\$3,476,903)  
16 available from the SSBCI loan program in January of 2013, an initial set-aside of twenty-three  
17 and seventy-nine hundredths percent (23.79%) of the SSBCI balance remaining as of January 31,  
18 2014 is hereby made to be allocated throughout 2014 according to the percentage of minorities in  
19 Rhode Island as set forth in the 2012 US Census data as follows:

20 (1) Black and African American- 7.3%;

21 (2) Asian- 3.2%;

22 (3) Hispanic or Latino- 13.2%; and

23 (4) American Indian and Alaska Native- .09%.

24 (b) As additional SSBCI funds are received in 2014, of twenty-three and seventy-nine  
25 hundredths percent (23.79%) of such funds shall be allocated from federal funds intended for  
26 loans to small business proportional to the representation of each federally designated minority  
27 group in the Rhode Island population based on census data. These shall be construed as a  
28 mandatory minimum lending set-aside rates intended to ensure equity in lending, and shall not be  
29 construed to impose a cap or ceiling on the amount which may be allocated to minority business  
30 owners.

31 **42-64.20-5. Rhode Island small business lending set-aside reporting. – On or before**

32 January 15, 2015, and annually thereafter, the commerce corporation, and its subsidiary, the  
33 Rhode Island small business loan corporation, shall prepare a joint status report on lending to  
34 small minority business enterprises. Said report shall include an evaluation of lending policies

1 and outcomes, as well as suggestions as to how to increase lending to minority business  
2 enterprises. Said report shall be provided to the governor, the speaker of the house, the president  
3 of the senate, and the house and senate finance committees.

4 **42-64.20-6. Micro-business lending program established.** - (a) There is hereby  
5 established a micro business lending program to support achievement of minority set aside  
6 lending goals.

7 (b) Among black business owners in Rhode Island, approximately three thousand two  
8 hundred (3,200) or ninety-five percent (95%) of such businesses have no employees other than  
9 the business owner, and thus can be classified as micro-businesses.

10 (c) The micro business lending program shall support existing minority micro-business  
11 owners with business loans of up to thirty five thousand dollars (\$35,000) and provide business  
12 development support to help them expand and grow and to assist and support startups.

13 (d) The micro-business lending program shall be administered by the commerce  
14 corporation. Loans shall be administered through the Rhode Island small business loan fund  
15 corporation with oversight from the commerce corporation. In administering the program, the  
16 commerce corporation shall implement the following strategies:

17 (1) Administering the collateral support program set forth in this chapter;

18 (2) Implementing a waiver of the one-to-one (1:1) ratio based on the individual loan as  
19 allowed in the federal guidelines;

20 (3) Offer interest rates ranging from prime plus one percent (1%) to prime plus two  
21 percent (2%); and

22 (4) Provide loans to small and micro-businesses in amounts of up to thirty-five thousand  
23 dollars (\$35,000), through the Rhode Island small business loan fund corporation.

24 **42-64.20-7. Collateral support program established.** - (a) There is hereby established  
25 a collateral support program to support achievement of minority set aside lending goals.

26 (b) Both black and Latino business owners have less wealth and liquidity and fewer  
27 assets overall than white business owners, male or female. Their equipment and property may  
28 have lost value during the recession and may no longer be considered as assets by banks.

29 (c) The Rhode Island collateral support program shall be administered through the  
30 commerce corporation. Actual credit shall be extended through the Rhode Island small business  
31 loan fund corporation with oversight from the commerce corporation. In administering the  
32 program, the commerce corporation shall implement the following strategies:

33 (1) Only micro-businesses shall be eligible to participate in the program;

34 (2) Micro-businesses shall be eligible for support in the form of up to thirty percent

1 (30%) of new commercial credit;

2 (3) Maximum participation in the program shall be capped at fifteen thousand dollars  
3 (\$15,000) per minority business enterprise;

4 (4) The collateral support program shall increase the collateral position of a borrower by  
5 deposits of cash into accounts at participating lending institutions that shall serve as collateral on  
6 behalf of the borrower;

7 (5) Collateral balances shall be reduced in proportion to the commercial credit balance;  
8 and

9 (6) Lenders shall make periodic reports to the state small business lending corporation.

10 **42-64.20-8. Benchmarks to be met.** - (a) In the event that the Rhode Island small  
11 business loan fund corporation does not meet the initial overall minority loan benchmarks and  
12 achieve at least fifty percent (50%) of the initial targets within group bench marked lending goals  
13 by December 31, 2014, as set forth in this chapter, the micro-business lending program and the  
14 collateral support program shall be transferred to a Rhode Island community-based organization  
15 (CBO) selected by the commerce corporation. This CBO shall have experience working with  
16 minority business enterprises. Such transfer, if necessary, shall be completed within three (3)  
17 months of the December 31, 2014 date. The commerce corporation shall determine whether said  
18 goals have been met.

19 (b) In the event of such transfer pursuant to this section, administrative costs necessary to  
20 administer the programs allowable under the SSBCI will be allocated to the CBO. Appropriate  
21 fiduciary and administrative controls shall be required and the CBO will report on a quarterly  
22 basis to the Rhode Island commerce corporation.

23 **42-64.20-9. Rules and regulations.** - The commerce corporation shall implement rules  
24 and regulations to implement the provisions of this chapter. Such rules and regulations shall  
25 include, but shall not be limited to, establishing application procedures and guidelines for issuing  
26 loans and credit through the micro-business lending program and the collateral support program.

27 SECTION 2. This act shall take effect upon passage.

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF

A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT - RHODE ISLAND SMALL  
BUSINESS MINORITY LENDING SET-ASIDE PROGRAM

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1           This act would provide a mandatory percentage rate of twenty-three and seventy-nine  
2 hundredths percent (23.79%) of federal funds from the State Small Business Credit Initiative  
3 would be set-aside for small minority business enterprises. The act would also establish new loan  
4 and credit programs through the Rhode Island commerce corporation which would be designed to  
5 facilitate and promote loans to minority small business enterprises.

6           This act would take effect upon passage.

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