



**House  
Legislative  
Analysis  
Section**

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## **MINORITY/WOMAN BUS. LOANS**

**House Bills 4315 and 4316  
Sponsor: Rep. Joseph Young, Jr.  
Committee: Corporations & Finance**

**Complete to 2-27-91**

### **A REVISED SUMMARY OF HOUSE BILLS 4315 AND 4316 AS INTRODUCED 2-15-91**

The bills would establish the Minority and Woman Business Enterprise Loan Act, under which a seven-member board would be created in the Department of Commerce to replace the current Division of Minority Business Enterprise. The board would administer a development fund to make loans to minority- and woman-owned businesses and would be given various other administrative duties. Neither bill could take effect unless both were enacted.

**House Bill 4315** would establish the Minority and Woman Business Enterprise Loan Act, under which a seven-person board would be created in the commerce department 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.

**Loan Qualification.** 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 were women or came 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. The board would have to require that the loan be secured by a mortgage or any other pledge, and would have to find that the borrower had not defaulted on previous loans from the board. Also, the board would have to find 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 have to take action on a loan application within 60 days of receiving it.

**Bonding.** 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.

***Board Powers, Duties.*** 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 could 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, funds established by the board, or appropriations. The board could not incur indebtedness nor impose liability on the state.

***Penalty Provisions.*** A person who intentionally misrepresented him- or herself as owning, controlling, operating or participating in a minority- or woman-owned business enterprise in order to obtain funds, contracts, subcontracts, services or other benefits provided by the bill would be guilty of a felony and could be imprisoned up to four years, or fined up to \$2,000, or both.

***House Bill 4316*** would amend Public Act 165 of 1975 (MCL 125.1224), which created the commerce department's Division of Minority Business Enterprise, to change the division's name to the Division of Minority and Woman Business Enterprise. The division would have to review applications for loans from the minority development financing board to determine whether the applicants were state certified, could accept grants, gifts, loans and other financial aid, and could 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, and would require the department's director to report on the division's activities by February 1 of each year to the governor and the legislature.