

Legislative Analysis



MICROENTERPRISE DEVELOPMENT

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House Bill 5908

Sponsor: Rep. Gary McDowell

Committee: Commerce

Complete to 12-1-08

A SUMMARY OF HOUSE BILL 5908 AS INTRODUCED 3-18-08

The bill 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.

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

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 to people whose household income falls at or below 185 percent of federal poverty limits; and provide business loans to people whose household income falls at or below 185 percent of federal poverty limits. Loans or grants made to a microenterprise business could not exceed \$25,000 per year and at least one-half of the loans and grants made could not exceed \$10,000.

Microenterprise Fund

The grants and loans would be made out of a specially created Michigan Microenterprise Fund. No more than 10 percent of proceeds from the new Fund could be used to pay for the Center's administrative support. 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.

Loan and Grant Criteria

Loans and grants would be made to community-based nonprofits 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) geographic representation within the state, including urban and rural areas; (5) the ability of the nonprofit to provide microenterprise development in areas of chronic economic distress and in low-income regions; (6) a plan and the capacity for providing training, technical assistance, and business loans to individuals earning at 185 percent of federal poverty levels or less; and (7) the ability of the nonprofit development organization to provide financial oversight of loans and grants.

Annual Report by the Center

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; the percentage of training, technical assistance, and loans provided to those at or below federal poverty levels; and evaluation of the demand for and effectiveness of the program.

Advisory Board

The nine members of the Microenterprise Development Advisory Board would be appointed by the Governor and would include: two representatives of nonprofit microenterprise development organizations; one representative of a small business development center at a university or community college; one representative of a nonprofit community financial organization serving low-income communities; two representatives of community economic development organizations; and the directors (or their designees) of the Department of Labor and Economic Growth, the Department of Human Services, and the Michigan State Housing Development Authority. Members would serve three-year terms, with terms expiring on a rotating basis. The Governor would appoint the chairperson. Meetings would have to be held at least four times per year.

The advisory board's responsibilities include recommending qualifications for nonprofit organizations applying for grants and loans; recommending allocation amounts for grants and loans; reviewing applications for funding and reviewing recommendations of the Center for the granting of funds; recommending information to be contained in required reports; evaluating all reports; and recommending ways to increase the involvement of the private sector in microenterprise development.

Within one year after its creation, the advisory board would have to report to the Department of Treasury, the Governor, and each house of the Legislature on the advisability of creating a statewide nonprofit corporation to serve as the Center for Microenterprise Development in order to apply for federal and private source funding.

FISCAL IMPACT:

The fiscal impact is indeterminate; the bill as introduced does not provide a specific source of funding for the proposed Michigan Microenterprise Fund.

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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.