

52:27D-443

LEGISLATIVE HISTORY CHECKLIST

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LAWS OF: 2004 **CHAPTER:** 176

NJSA: 52:27D-443 (Makes changes to "New Jersey Women's Micro-Business Assistance Act")

BILL NO: S836 (Substituted for A3251)

SPONSOR(S): Turner and others

DATE INTRODUCED: February 5, 2004

COMMITTEE: **ASSEMBLY:** Commerce and Economic Development
SENATE: Economic Growth

AMENDED DURING PASSAGE: Yes

DATE OF PASSAGE: **ASSEMBLY:** November 15, 2004

SENATE: June 24, 2004

DATE OF APPROVAL: December 22, 2004

FOLLOWING ARE ATTACHED IF AVAILABLE:

[FINAL TEXT OF BILL](#) 1st reprint enacted

S836

[SPONSOR'S STATEMENT:](#) (Begins on page 9 of original bill) [Yes](#)

COMMITTEE STATEMENT: [ASSEMBLY:](#) [Yes](#)

[SENATE:](#) [Yes](#)

FLOOR AMENDMENT STATEMENT: No

[LEGISLATIVE FISCAL ESTIMATE:](#) [Yes](#)

A3251

[SPONSOR'S STATEMENT:](#) (Begins on page 11 of original bill) [Yes](#)

COMMITTEE STATEMENT: [ASSEMBLY:](#) [Yes](#)

SENATE: No

FLOOR AMENDMENT STATEMENT: No

[LEGISLATIVE FISCAL ESTIMATE:](#) [Yes](#)

VETO MESSAGE: No

GOVERNOR'S PRESS RELEASE ON SIGNING: No

FOLLOWING WERE PRINTED:

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REPORTS:

No

HEARINGS:

No

NEWSPAPER ARTICLES:

No

P.L. 2004, CHAPTER 176, *approved December 22, 2004*
Senate, No. 836 (*First Reprint*)

1 **AN ACT** concerning financial assistance to certain businesses ¹[,] **and**¹
2 amending P.L.1999, c.239 (C.52:27D-443 et seq.) ¹[, and making
3 an appropriation]¹.
4

5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:
7

8 1. Section 1 of P.L.1999, c.239 (C.52:27D-443) is amended to
9 read as follows:

10 1. This act shall be known and may be cited as the "New Jersey
11 Women's Micro-Business **[Assistance]** Credit Act."
12 (cf: P.L.1999, c.239, s.1)
13

14 2. Section 2 of P.L.1999, c.239 (C.52:27D-444) is amended to
15 read as follows:

16 2. The Legislature finds and declares that:

17 a. Micro-business loans are usually granted to those **[business**
18 entrepreneurs with prior business experience who operate firms with
19 a small number of employees and are granted mostly to expand an
20 existing business] businesses that are mostly sole proprietorships with
21 five or fewer employees, that require an initial capital outlay of less
22 than \$35,000 to start a new business or expand an existing business,
23 utilize loans in amounts of less than \$15,000 with most loans being
24 paid back on time, and experience a default rate that is often no higher
25 than on commercial loans;

26 b. Experience in numerous other states and in certain urban areas
27 in New Jersey has shown that "micro lending," or carefully
28 underwriting small loans to individual entrepreneurs with
29 well-developed, realistic business plans, has been successful in helping
30 individuals, without regard to geographical location, to start
31 micro-businesses;

32 c. Nonprofit community-based development corporations have the
33 experience of providing the training and technical assistance that is
34 necessary for prospective entrepreneurs to establish a viable business;

35 d. While the New Jersey Economic Development Authority
36 currently manages several programs to promote the development of
37 micro and small businesses in the State and the New Jersey
38 Development Authority for Small Businesses, Minorities' and Women's
39 Enterprises has a peer group micro-lending program in place which
40 targets urban areas of the State, there is a need to establish a separate

EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Senate SEG committee amendments adopted May 10, 2004.

1 micro-business credit program to provide [the help needed] new and
2 innovative ways to assist more unemployed women and
3 underemployed women in all areas of the State to enter or reenter the
4 marketplace and to recognize that nonprofit community-based
5 development corporations¹ and certain statewide women's business
6 organizations¹ have the experience of providing the training and
7 technical assistance that is necessary for prospective entrepreneurs to
8 establish a viable business; and

9 e. It is appropriate to establish a [pilot] micro-business credit
10 program [to accomplish these goals in the] that would target only
11 those potential female entrepreneurs who have little or no prior
12 business experience, are self-motivated and are willing to undertake an
13 extensive training program and receive other kinds of technical
14 assistance in order to gain the necessary experience to start a
15 successful business through grants given to certified nonprofit
16 community development corporations¹ and certain statewide women's
17 business organizations¹, and the Department of Community Affairs
18 which has experience in evaluating and monitoring community
19 development corporations and which already manages a number of
20 programs through its Division on Women to assist women to improve
21 their lives is the appropriate State agency to accomplish these goals.
22 (cf: P.L.1999, c.239, s.2)

23

24 3. Section 3 of P.L.1999, c.239 (C.52:27D-445) is amended to
25 read as follows:

26 3. As used in this act:

27 "Act" means the "New Jersey Women's Micro-Business
28 [Assistance] Credit Act."

29 "Certified nonprofit community development corporation" or
30 "certified corporation" means a nonprofit community development
31 corporation, established pursuant to Title 15 of the Revised Statutes,
32 Title 15A of the New Jersey Statutes, or other law of this State, and
33 certified by the department pursuant to section 6 of this act to receive
34 [funds] grants for the purpose of issuing loans, loan guarantees, or
35 both, and providing training and technical assistance to qualified
36 [women-owned businesses] recipients;

37 "Commissioner" means the Commissioner of Community Affairs;

38 "Department" means the Department of Community Affairs;

39 ["Development loan" means money loaned to a certified
40 corporation by the department for the purpose of making micro-credit
41 loans to qualified recipients] "Grant" means money given to a certified
42 nonprofit community development corporation¹ or a statewide
43 organization¹ by the department for the purpose of issuing loans, loan
44 guarantees, or both, pursuant to section 4 of this act;

45 ["Micro-credit loan" or "loan"] "Loan" means a loan made or

1 guaranteed to a qualified [woman-owned home-based business]
 2 recipient under the terms and conditions set forth by a certified
 3 nonprofit community development corporation [established pursuant
 4 to Title 15 of the Revised Statutes, Title 15A of the New Jersey
 5 Statutes, or other law of this State to provide training, technical
 6 assistance, and access to capital for the startup of qualified
 7 woman-owned businesses, including businesses conducted from a
 8 residence] ¹or a statewide organization¹;

9 "Program" [or "pilot program"] means the New Jersey Women's
 10 Micro-Business [Pilot] Credit Program established pursuant to section
 11 4 of [this act] P.L.1999, c.239 (C.52:27D-446); and

12 "Qualified recipient" means one or more women who intend to
 13 establish a business enterprise which is to be independently owned and
 14 operated solely by the woman or women, as appropriate, who have
 15 little or no prior business experience and each having a gross annual
 16 personal income of an amount less than [125%] ¹[200] 350¹ percent
 17 of the official poverty line, as determined by the Director of the federal
 18 Office of Management and Budget. A qualified recipient may conduct
 19 a business enterprise on a part-time basis, from a residence, or both.

20 ¹"Statewide organization" means an organization whose primary
 21 objective is to support and encourage business ownership by women
 22 and which maintains a visible statewide presence.¹

23 (cf: P.L.2001, c.34, s.1)

24

25 4. Section 4 of P.L.1999, c.239 (C.52:27D-446) is amended to
 26 read as follows:

27 4. a. There is created, in the department, a "New Jersey Women's
 28 Micro-Business [Pilot] Credit Program." The program shall be
 29 established by the department [in consultation with the New Jersey
 30 Economic Development Authority]. The program shall consist of
 31 [loans, loan guarantees, or both, and training and technical assistance
 32 to be provided to qualified recipients from certified corporations for
 33 the purposes of the program] ¹[10]¹ grants ¹[of \$75,000 each]¹ to
 34 certified corporations ¹or a statewide organization¹ for the following
 35 purposes:

36 (1) issuing loans, loan guarantees, or both, to qualified recipients;

37 (2) providing training and technical assistance to qualified
 38 recipients; ¹and¹

39 (3) payment of ¹reasonable¹ administrative expenses ¹as approved
 40 by the commissioner¹, except that such expenses shall not amount to
 41 greater than 20 percent of the grant ¹[; and

42 (4) payment of auditing and consulting fees]¹.

43 b. To implement the program, the department shall [provide
 44 development loans to]¹ [, to the greatest extent feasible, cooperate
 45 with certified corporations]¹ [from such moneys that the department

1 determines are necessary to effectively implement the program, in
2 response to the demand for the program, and as may be available from
3 the repayment to the department by certified corporations of
4 development loans, from other assistance programs administered by
5 the department or by other State agencies or authorities, or from such
6 other moneys as may be made available for the program pursuant to
7 this act.

8 c. The commissioner shall designate areas for the location of three
9 certified corporations as part of the pilot program. In selecting the
10 areas for the certified corporations, the commissioner shall strive to
11 allocate the areas in an equitable manner to achieve representation
12 from the northern, central and southern regions of the State. In
13 selecting the areas in each region for the location of the certified
14 corporations, the department shall consider the following factors:
15 comparative unemployment or underemployment; an economic
16 environment conducive to the establishment of businesses built around
17 qualified businesses; the need for assistance in creating qualified
18 businesses where such activity will protect or enhance a small business
19 economy; and the level of anticipated financial and other participation
20 of county economic development agencies, municipal economic
21 development agencies or business organizations, and county or
22 municipal educational and nonprofit organizations.

23 d. The department shall, to the greatest extent feasible, coordinate
24 its efforts to implement the program with other State or federal
25 agencies or authorities including, but not limited to, the New Jersey
26 Development Authority for Small Businesses, Minorities' and Women's
27 Enterprises established pursuant to P.L.1985, c.386 (C.34:1B-47 et
28 seq.), the New Jersey Economic Development Authority established
29 pursuant to P.L.1974, c.80 (C.34:1B-1 et seq.), and the Department
30 of Human Services and shall enter into agreements to leverage the
31 moneys in the program with moneys that may be available from other
32 sources of financing including, but not limited to, the Fund for
33 Community and Economic Development and the Statewide Loan Pool
34 for Business.

35 e. The department shall, to the greatest extent feasible, advertise
36 the program to community development organizations in the northern,
37 central and southern regions of the State. In order to advertise and
38 promote the program, the department is authorized to organize or
39 participate in the organization of a nonprofit corporation which is
40 exempt from federal taxation under section 501(c)(3) of the Internal
41 Revenue Code. Such nonprofit corporation must directly further the
42 statutory mission of the department and the intent of this act.
43 Expenses incurred by such nonprofit corporations shall be payable
44 from funds raised by the nonprofit corporation, and no liability or
45 obligation, in tort or contract, shall be incurred by the department for
46 the operation of the nonprofit corporation. The nonprofit corporation

1 shall obtain private counsel and shall not be represented by the
2 department or indemnified by the department] ¹ [in no less than seven
3 different counties in seeking to involve the resources of local banks
4 and financial institutions in order to leverage funds available for the
5 program. The counties shall be determined by the department on the
6 basis of: comparative unemployment or underemployment; an
7 economic environment conducive to the establishment of businesses
8 built by qualified recipients; the need for assistance in creating business
9 opportunities for qualified recipients where such activity will enhance
10 a small business economy; and the level of anticipated financial and
11 other participation of county economic development agencies,
12 municipal economic development agencies or business organizations,
13 and county or municipal educational and nonprofit organizations]
14 provide grants to certified corporations or a statewide organization
15 from such moneys that the department determines are necessary to
16 effectively implement the program, in response to the demand for the
17 program, and from other assistance programs administered by the
18 department or by other State agencies or authorities, or from such
19 other moneys as may be made available for the program pursuant to
20 P.L.1999, c.239 (C.52:27D-443 et seq.).

21 c. The commissioner shall designate areas for the location of up to
22 four certified corporations or a statewide organization as part of the
23 program. In selecting the areas for the certified corporations, the
24 commissioner shall strive to allocate the areas in an equitable manner
25 to achieve representation from the northern, central, southern and
26 shore regions of the State. In selecting the areas in each region for the
27 location of the certified corporations, the department shall consider the
28 following factors: comparative unemployment or underemployment;
29 an economic environment conducive to the establishment of businesses
30 built around qualified businesses; the need for assistance in creating
31 qualified businesses where such activity will protect or enhance a small
32 business economy; the level of anticipated financial and other
33 participation of county economic development agencies, municipal
34 economic development agencies or business organizations, and county
35 or municipal educational and nonprofit organizations; and their ability
36 to provide the necessary services in each region. In selecting a
37 statewide organization, the department shall consider the following
38 factors: comparative unemployment or underemployment in area
39 served; an economic environment conducive to the establishment of
40 businesses built around qualified businesses; the need for assistance in
41 creating qualified businesses where such activity will protect or
42 enhance a small business economy; the level of anticipated financial
43 and other participation of county economic development agencies,
44 municipal economic development agencies or business organizations,
45 and county or municipal educational and nonprofit organizations; and
46 their ability to provide the necessary services statewide.

1 d. The department shall, to the greatest extent feasible, coordinate
2 its efforts to implement the program with other State or federal
3 agencies or authorities including, but not limited to, the New Jersey
4 Development Authority for Small Businesses, Minorities' and Women's
5 Enterprises established pursuant to P.L.1985, c.386 (C.34:1B-47 et
6 seq.), the New Jersey Economic Development Authority established
7 pursuant to P.L.1974, c.80 (C.34:1B-1 et seq.), and the Department
8 of Human Services and shall enter into agreements to leverage the
9 moneys in the program with moneys that may be available from other
10 sources of financing including, but not limited to, the Fund for
11 Community Economic Development and the Statewide Loan Pool for
12 Business as established by the New Jersey Economic Development
13 Authority.

14 e. The department shall, to the greatest extent feasible, advertise
15 the program to community development organizations in the northern,
16 central, southern and shore regions of the State or statewide. In order
17 to advertise and promote the program, the department is authorized to
18 organize or participate in the organization of a nonprofit corporation,
19 which is exempt from federal taxation under section 501(c)(3) of the
20 Internal Revenue Code. Such nonprofit corporation must directly
21 further the statutory mission of the department and the intent of
22 P.L.1999, c.239 (C.52:27D-443 et seq.). Expenses incurred by such
23 nonprofit corporations shall be payable from funds raised by the
24 nonprofit corporation, and no liability or obligation, in tort or
25 contract, shall be incurred by the department for the operation of the
26 nonprofit corporation. The nonprofit corporation shall obtain private
27 counsel and shall not be represented by the department or indemnified
28 by the department¹.

29 (cf: P.L.1999, c.239, s.4)

30

31 5. Section 5 of P.L.1999, c.239 (C.52:27D-447) is amended to
32 read as follows:

33 5. a. The department shall use the moneys in the program as
34 established and for the purposes designated pursuant to section 4 of
35 [this act to make development loans to certified corporations]
36 P.L.1999, c.239 (C.52:27D-446).

37 b. In determining the criteria for making [development loans
38 available] grants to ¹[each of]¹ the certified corporations or the
39 statewide organization¹, the department shall, in addition to applying
40 customary underwriting criteria, also consider:

41 (1) the plan and scope of business training and technical assistance
42 to be provided to qualified recipients;

43 (2) the plan and scope of other services to be provided to qualified
44 recipients;

45 (3) geographic representation among the [regions] ¹[counties]
46 regions¹ chosen, pursuant to subsection b. of section 4 of [this act]

1 P.L.1999, c.239 (C.52:27D-446);

2 (4) the ability of the certified corporation ¹or the statewide
3 organization¹, with its plan, to monitor and provide financial oversight
4 of recipients of loans, to administer a revolving loan fund, and to
5 investigate and qualify financing proposals and to service credit
6 accounts;

7 (5) the sources and the sufficiency of operating funds, other than
8 those provided herein, for the certified corporations ¹or the statewide
9 organization¹; and

10 (6) the intent of the certified corporation ¹or the statewide
11 organization¹, as set forth in its plan and written indications of local
12 institutional support, to provide services to qualified recipients in the
13 [region] ¹[county] region¹ within which it is located.

14 c. [Development loan] Loan funds may be used by a certified
15 corporation ¹or the statewide organization¹ to:

16 (1) satisfy matching requirements for other State, federal, or
17 private funding only if funding is intended and used for the purpose of
18 providing or enhancing the certified corporation's ¹or statewide
19 organization's¹ ability to provide and administer loans, technical
20 assistance, or business training to qualified recipients; [and]

21 (2) establish a revolving loan fund from which the certified
22 corporation ¹or the statewide organization¹ may issue loans to
23 qualified recipients, provided that a single loan amount, as part of a
24 loan agreement, does not exceed \$5,000, or issue additional loans to
25 qualified recipients which have completed payments on an earlier loan,
26 under terms and conditions of the certified corporation ¹or the
27 statewide organization¹; or

28 (3) carry out the purposes of the provisions as provided in both
29 paragraphs (1) and (2) of this subsection.

30 d. [Development loan] Loan funds created by a certified
31 corporation ¹or a statewide organization¹ shall not be:

32 (1) loaned for relending or investment in stocks, bonds, or other
33 securities or for property not intended for use in production by the
34 recipient of the loan; or

35 (2) used to refinance a nonperforming loan held by a financial
36 institution or to pay the operating costs of a certified corporation ¹or
37 a statewide organization¹; however, interest income earned from the
38 proceeds of a [development] loan may be used to pay operating
39 expenses.

40 e. Certified corporations ¹or the statewide organization¹ are
41 required to contribute cash from other sources to leverage and secure
42 loans from the program. Contributions provided by the certified
43 corporation ¹or a statewide organization¹ must be in a ratio of at least
44 \$1 from other sources for each \$3 in loans from the program and at
45 least \$1 from other sources for each \$4 for training, technical
46 assistance and administrative expenses from the program. These

1 contributions may come from a public or private source other than the
2 program and may be in the form of loans or grants.

3 f. ~~Development loans to~~ Loans made by a certified corporation
4 ¹or a statewide organization¹ to a qualified recipient shall be made
5 pursuant to a loan agreement and may be amortization or term loans,
6 bear interest at less than the market rate, be renewable, and contain
7 other terms and conditions considered appropriate by the department
8 that are consistent with the purposes of ~~this act~~ P.L.1999, c.239
9 (C.52:27D-443 et seq.) and with rules and regulations promulgated by
10 the department to implement ~~this act~~ P.L.1999, c.239.

11 g. (1) Unless subject to federal law, rule or regulation, each
12 certified corporation ¹or the statewide organization¹ that receives a
13 ~~development loan~~ grant under ~~this act~~ P.L.1999, c.239
14 (C.52:27D-443 et seq.) shall undergo an audit, at its own expense, at
15 least once every two years. The ~~department shall designate an~~
16 ~~auditor to conduct the audit who~~ certified corporation¹or a
17 statewide organization¹ shall submit a copy of the audit to the
18 department.

19 (2) If an audit is performed under a requirement of federal law, rule
20 or regulation, the department shall waive the audit required in this
21 subsection with respect to all issues addressed by the federal audit
22 report. However, the department may require an audit of matters that
23 are not, in the department's judgment, addressed by the federal report
24 including, but not limited to, verification of compliance with
25 requirements specific to the program, such as job-generation standards
26 and reporting.

27 ¹h. The department may use up to five percent of the funds
28 received from the General Fund for the purposes of implementing the
29 program, as pursuant to P.L.1999, c.239 (C.52:27D-443 et seq.), for
30 administrative costs.¹

31 (cf: P.L.1999, c.239, s.5)

32

33 6. Section 6 of P.L.1999, c.239 (C.52:27D-448) is amended to
34 read as follows:

35 6. The department may certify a nonprofit community development
36 corporation ¹or a statewide organization¹ when it determines that the
37 development corporation¹or the statewide organization¹:

38 a. has developed a viable plan for providing training, access to
39 financing, and technical assistance for qualified recipients;

40 b. has demonstrated an ability to successfully provide training and
41 technical assistance to qualified recipients;

42 c. has broad-based community support within a ~~region~~
43 ¹[county] region¹ and has demonstrated support from other regional
44 entities to provide assistance with service delivery and financial
45 aspects; and

1 d. has an adequate source of operating capital.

2 (cf: P.L.1999, c.239, s.6)

3

4 7. Section 7 of P.L.1999, c.239 (C.52:27D-449) is amended to
5 read as follows:

6 7. a. The department shall have, in addition to the powers
7 enumerated in section 9 of P.L.1966, c.293 (C.52:27D-9), the power
8 to enter into written agreements, including, but not limited to, limited
9 partnership agreements with one or more professional investors or
10 small business investment corporations, or inter-agency agreements
11 with one or more State agencies or authorities [, including but not
12 limited to, the New Jersey Economic Development Authority and the
13 New Jersey Development Authority for Small Businesses, Minorities'
14 and Women's Enterprises,] for the purposes of establishing a pool of
15 additional moneys which is to be used exclusively for [funding] grants
16 to certified corporations ¹or a statewide organization ¹for the sole
17 purpose of providing loans to qualified recipients [and for the
18 purposes of providing training and technical assistance to qualified
19 recipients to effectuate the purposes of the program].

20 b. The department may also accept grants, donations, and other
21 private and public funds, including payments of interest on
22 [development] loans made by the department and use such moneys
23 received under this subsection for the purposes of the program.

24 (cf: P.L.1999, c.239, s.7)

25

26 8. Section 8 of P.L.1999, c.239 (C.52:27D-450) is amended to
27 read as follows:

28 8. The department shall [, in conjunction with certified
29 corporations and the New Jersey Economic Development Authority,]
30 prepare a report within two years following the effective date of [this
31 act] P.L.1999, c.239 (C.52:27D-443 et seq.), and not later than
32 September 15 of each third year thereafter. The report shall include,
33 but not be limited to: a description of the demand for the program
34 from qualified recipients; the number of qualified recipients the
35 program has assisted; the efforts made by the department and the
36 certified corporations ¹or the statewide organization¹ to promote the
37 program; the efforts of the certified corporations ¹or the statewide
38 organization¹ to establish a pool of funds from private and public
39 sources; the total amount of loans issued by the certified corporations
40 ¹or the statewide organization¹; and an assessment of the effectiveness
41 of the program in meeting the goals of this act. The department shall
42 submit its reports to the Governor and the Legislature, along with any
43 recommendations [for legislation regarding the advisability and
44 feasibility of expanding the program Statewide, as appropriate, and]
45 to improve the effectiveness of the program.

46 (cf: P.L.1999, c.239, s.8)

1 9. Section 9 of P.L.1999, c.239 (C.52:27D-451) is amended to
2 read as follows:

3 9. The department shall adopt, pursuant to the "Administrative
4 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), rules and
5 regulations as may be necessary to effectuate the purposes of [this
6 act] P.L.1999, c.239 (C.52:27D-443 et seq.) including, but not limited
7 to: the criteria and procedures concerning certification of certified
8 corporations ¹or the statewide organization¹; the criteria and
9 procedures for selecting from competing grant applications and for
10 awarding [development loans] grants to certified corporations ¹or the
11 statewide organization¹; the criteria and procedures to be followed by
12 certified corporations ¹or the statewide organization¹ in administering
13 revolving loan funds supported by the program; the criteria for
14 determining the terms and conditions of [development] loans and
15 [micro-credit loans and] loan repayments; the criteria for determining
16 nonperformance and declaring default in the administration of
17 [development loans and micro-credit] loans; and the criteria and
18 procedures to be followed by certified corporations ¹or the statewide
19 organization¹ in providing training and technical assistance to qualified
20 recipients.

21 (P.L.1999, c.239, s.9)

22

23 ¹[10. There is appropriated from the General Fund to the
24 Department of Community Affairs a sum of \$750,000 to carry out the
25 purposes of this act, subject to the approval of the Director of the
26 Division of Budget and Accounting in the Department of the Treasury
27 and the Joint Budget Oversight Committee or its successor.]¹

28

29 ¹[11.] 10.¹ This act shall take effect immediately.

30

31

32

33

34 _____
35 Makes changes to "New Jersey Women's Micro-Business Assistance
Act."

SENATE, No. 836

STATE OF NEW JERSEY
211th LEGISLATURE

INTRODUCED FEBRUARY 5, 2004

Sponsored by:
Senator SHIRLEY K. TURNER
District 15 (Mercer)

SYNOPSIS

Makes changes to "New Jersey Women's Micro-Business Assistance Act"; appropriates \$750,000.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning financial assistance to certain businesses,
2 amending P.L.1999, c.239 (C.52:27D-443 et seq.), and making an
3 appropriation.

4
5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:

7
8 1. Section 1 of P.L.1999, c.239 (C.52:27D-443) is amended to
9 read as follows:

10 1. This act shall be known and may be cited as the "New Jersey
11 Women's Micro-Business [**Assistance**] Credit Act."
12 (cf: P.L.1999, c.239, s.1)

13

14 2. Section 2 of P.L.1999, c.239 (C.52:27D-444) is amended to
15 read as follows:

16 2. The Legislature finds and declares that:

17 a. Micro-business loans are usually granted to those [business
18 entrepreneurs with prior business experience who operate firms with
19 a small number of employees and are granted mostly to expand an
20 existing business] businesses that are mostly sole proprietorships with
21 five or fewer employees, that require an initial capital outlay of less
22 than \$35,000 to start a new business or expand an existing business,
23 utilize loans in amounts of less than \$15,000 with most loans being
24 paid back on time, and experience a default rate that is often no higher
25 than on commercial loans;

26 b. Experience in numerous other states and in certain urban areas
27 in New Jersey has shown that "micro lending," or carefully
28 underwriting small loans to individual entrepreneurs with
29 well-developed, realistic business plans, has been successful in helping
30 individuals, without regard to geographical location, to start
31 micro-businesses;

32 c. Nonprofit community-based development corporations have the
33 experience of providing the training and technical assistance that is
34 necessary for prospective entrepreneurs to establish a viable business;

35 d. While the New Jersey Economic Development Authority
36 currently manages several programs to promote the development of
37 micro and small businesses in the State and the New Jersey
38 Development Authority for Small Businesses, Minorities' and Women's
39 Enterprises has a peer group micro-lending program in place which
40 targets urban areas of the State, there is a need to establish a separate
41 micro-business credit program to provide [the help needed] new and
42 innovative ways to assist more unemployed women and
43 underemployed women in all areas of the State to enter or reenter the

EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 marketplace and to recognize that nonprofit community-based
2 development corporations have the experience of providing the
3 training and technical assistance that is necessary for prospective
4 entrepreneurs to establish a viable business; and

5 e. It is appropriate to establish a [pilot] micro-business credit
6 program [to accomplish these goals in the] that would target only
7 those potential female entrepreneurs who have little or no prior
8 business experience, are self-motivated and are willing to undertake an
9 extensive training program and receive other kinds of technical
10 assistance in order to gain the necessary experience to start a
11 successful business through grants given to certified nonprofit
12 community development corporations, and the Department of
13 Community Affairs which has experience in evaluating and monitoring
14 community development corporations and which already manages a
15 number of programs through its Division on Women to assist women
16 to improve their lives is the appropriate State agency to accomplish
17 these goals.

18 (cf: P.L.1999, c.239, s.2)

19

20 3. Section 3 of P.L.1999, c.239 (C.52:27D-445) is amended to
21 read as follows:

22 3. As used in this act:

23 "Act" means the "New Jersey Women's Micro-Business
24 [Assistance] Credit Act."

25 "Certified nonprofit community development corporation" or
26 "certified corporation" means a nonprofit community development
27 corporation, established pursuant to Title 15 of the Revised Statutes,
28 Title 15A of the New Jersey Statutes, or other law of this State, and
29 certified by the department pursuant to section 6 of this act to receive
30 [funds] grants for the purpose of issuing loans , loan guarantees, or
31 both, and providing training and technical assistance to qualified
32 [women-owned businesses] recipients;

33 "Commissioner" means the Commissioner of Community Affairs;

34 "Department" means the Department of Community Affairs;

35 ["Development loan" means money loaned to a certified
36 corporation by the department for the purpose of making micro-credit
37 loans to qualified recipients] "Grant" means money given to a certified
38 nonprofit community development corporation by the department for
39 the purpose of issuing loans, loan guarantees, or both, pursuant to
40 section 4 of this act;

41 ["Micro-credit loan" or "loan"] "Loan" means a loan made or
42 guaranteed to a qualified [woman-owned home-based business]
43 recipient under the terms and conditions set forth by a certified
44 nonprofit community development corporation [established pursuant
45 to Title 15 of the Revised Statutes, Title 15A of the New Jersey

1 Statutes, or other law of this State to provide training, technical
2 assistance, and access to capital for the startup of qualified
3 woman-owned businesses, including businesses conducted from a
4 residence];

5 "Program" [or "pilot program"] means the New Jersey Women's
6 Micro-Business [Pilot] Credit Program established pursuant to section
7 4 of [this act] P.L.1999, c.239 (C.52:27D-446); and

8 "Qualified recipient" means one or more women who intend to
9 establish a business enterprise which is to be independently owned and
10 operated solely by the woman or women, as appropriate, who have
11 little or no prior business experience and each having a gross annual
12 personal income of an amount less than [125%] 200 percent of the
13 official poverty line, as determined by the Director of the federal
14 Office of Management and Budget. A qualified recipient may conduct
15 a business enterprise on a part-time basis, from a residence, or both.
16 (cf: P.L.2001, c.34, s.1)

17

18 4. Section 4 of P.L.1999, c.239 (C.52:27D-446) is amended to
19 read as follows:

20 4. a. There is created, in the department, a "New Jersey Women's
21 Micro-Business [Pilot] Credit Program." The program shall be
22 established by the department [in consultation with the New Jersey
23 Economic Development Authority]. The program shall consist of
24 [loans, loan guarantees, or both, and training and technical assistance
25 to be provided to qualified recipients from certified corporations for
26 the purposes of the program] 10 grants of \$75,000 each to certified
27 corporations for the following purposes:

28 (1) issuing loans, loan guarantees, or both, to qualified recipients;

29 (2) providing training and technical assistance to qualified
30 recipients;

31 (3) payment of administrative expenses, except that such expenses
32 shall not amount to greater than 20 percent of the grant; and

33 (4) payment of auditing and consulting fees.

34 b. To implement the program, the department shall [provide
35 development loans to], to the greatest extent feasible, cooperate with
36 certified corporations [from such moneys that the department
37 determines are necessary to effectively implement the program, in
38 response to the demand for the program, and as may be available from
39 the repayment to the department by certified corporations of
40 development loans, from other assistance programs administered by
41 the department or by other State agencies or authorities, or from such
42 other moneys as may be made available for the program pursuant to
43 this act.

44 c. The commissioner shall designate areas for the location of three
45 certified corporations as part of the pilot program. In selecting the

1 areas for the certified corporations, the commissioner shall strive to
2 allocate the areas in an equitable manner to achieve representation
3 from the northern, central and southern regions of the State. In
4 selecting the areas in each region for the location of the certified
5 corporations, the department shall consider the following factors:
6 comparative unemployment or underemployment; an economic
7 environment conducive to the establishment of businesses built around
8 qualified businesses; the need for assistance in creating qualified
9 businesses where such activity will protect or enhance a small business
10 economy; and the level of anticipated financial and other participation
11 of county economic development agencies, municipal economic
12 development agencies or business organizations, and county or
13 municipal educational and nonprofit organizations.

14 d. The department shall, to the greatest extent feasible, coordinate
15 its efforts to implement the program with other State or federal
16 agencies or authorities including, but not limited to, the New Jersey
17 Development Authority for Small Businesses, Minorities' and Women's
18 Enterprises established pursuant to P.L.1985, c.386 (C.34:1B-47 et
19 seq.), the New Jersey Economic Development Authority established
20 pursuant to P.L.1974, c.80 (C.34:1B-1 et seq.), and the Department
21 of Human Services and shall enter into agreements to leverage the
22 moneys in the program with moneys that may be available from other
23 sources of financing including, but not limited to, the Fund for
24 Community and Economic Development and the Statewide Loan Pool
25 for Business.

26 e. The department shall, to the greatest extent feasible, advertise
27 the program to community development organizations in the northern,
28 central and southern regions of the State. In order to advertise and
29 promote the program, the department is authorized to organize or
30 participate in the organization of a nonprofit corporation which is
31 exempt from federal taxation under section 501(c)(3) of the Internal
32 Revenue Code. Such nonprofit corporation must directly further the
33 statutory mission of the department and the intent of this act.
34 Expenses incurred by such nonprofit corporations shall be payable
35 from funds raised by the nonprofit corporation, and no liability or
36 obligation, in tort or contract, shall be incurred by the department for
37 the operation of the nonprofit corporation. The nonprofit corporation
38 shall obtain private counsel and shall not be represented by the
39 department or indemnified by the department] in no less than seven
40 different counties in seeking to involve the resources of local banks
41 and financial institutions in order to leverage funds available for the
42 program. The counties shall be determined by the department on the
43 basis of: comparative unemployment or underemployment; an
44 economic environment conducive to the establishment of businesses
45 built by qualified recipients; the need for assistance in creating business
46 opportunities for qualified recipients where such activity will enhance

1 a small business economy; and the level of anticipated financial and
2 other participation of county economic development agencies,
3 municipal economic development agencies or business organizations,
4 and county or municipal educational and nonprofit organizations.

5 (cf: P.L.1999, c.239, s.4)

6
7 5. Section 5 of P.L.1999, c.239 (C.52:27D-447) is amended to
8 read as follows:

9 5. a. The department shall use the moneys in the program as
10 established and for the purposes designated pursuant to section 4 of
11 [this act to make development loans to certified corporations]
12 P.L.1999, c.239 (C.52:27D-446).

13 b. In determining the criteria for making [development loans
14 available] grants to each of the certified corporations, the department
15 shall, in addition to applying customary underwriting criteria, also
16 consider:

17 (1) the plan and scope of business training and technical assistance
18 to be provided to qualified recipients;

19 (2) the plan and scope of other services to be provided to qualified
20 recipients;

21 (3) geographic representation among the [regions] counties
22 chosen, pursuant to subsection b. of section 4 of [this act] P.L.1999,
23 c.239 (C.52:27D-446);

24 (4) the ability of the certified corporation, with its plan, to monitor
25 and provide financial oversight of recipients of loans, to administer a
26 revolving loan fund, and to investigate and qualify financing proposals
27 and to service credit accounts;

28 (5) the sources and the sufficiency of operating funds, other than
29 those provided herein, for the certified corporations; and

30 (6) the intent of the certified corporation, as set forth in its plan
31 and written indications of local institutional support, to provide
32 services to qualified recipients in the [region] county within which it
33 is located.

34 c. [Development loan] Loan funds may be used by a certified
35 corporation to:

36 (1) satisfy matching requirements for other State, federal, or
37 private funding only if funding is intended and used for the purpose of
38 providing or enhancing the certified corporation's ability to provide
39 and administer loans, technical assistance, or business training to
40 qualified recipients; [and]

41 (2) establish a revolving loan fund from which the certified
42 corporation may issue loans to qualified recipients, provided that a
43 single loan amount, as part of a loan agreement, does not exceed
44 \$5,000, or issue additional loans to qualified recipients which have
45 completed payments on an earlier loan, under terms and conditions of
46 the certified corporation; or

1 (3) carry out the purposes of the provisions as provided in both
2 paragraphs (1) and (2) of this subsection.

3 d. **[Development loan]** Loan funds created by a certified
4 corporation shall not be:

5 (1) loaned for relending or investment in stocks, bonds, or other
6 securities or for property not intended for use in production by the
7 recipient of the loan; or

8 (2) used to refinance a nonperforming loan held by a financial
9 institution or to pay the operating costs of a certified corporation;
10 however, interest income earned from the proceeds of a
11 **[development]** loan may be used to pay operating expenses.

12 e. Certified corporations are required to contribute cash from other
13 sources to leverage and secure loans from the program. Contributions
14 provided by the certified corporation must be in a ratio of at least \$1
15 from other sources for each \$3 in loans from the program and at least
16 \$1 from other sources for each \$4 for training, technical assistance and
17 administrative expenses from the program. These contributions may
18 come from a public or private source other than the program and may
19 be in the form of loans or grants.

20 f. **[Development loans to]** Loans made by a certified corporation
21 to a qualified recipient shall be made pursuant to a loan agreement and
22 may be amortization or term loans, bear interest at less than the market
23 rate, be renewable, and contain other terms and conditions considered
24 appropriate by the department that are consistent with the purposes of
25 **[this act]** P.L.1999, c.239 (C.52:27D-443 et seq.) and with rules and
26 regulations promulgated by the department to implement **[this act]**
27 P.L.1999, c.239.

28 g. (1) Unless subject to federal law, rule or regulation, each
29 certified corporation that receives a **[development loan]** grant under
30 **[this act]** P.L.1999, c.239 (C.52:27D-443 et seq.) shall undergo an
31 audit, at its own expense, at least once every two years. The
32 **[department shall designate an auditor to conduct the audit who]**
33 certified corporation shall submit a copy of the audit to the
34 department.

35 (2) If an audit is performed under a requirement of federal law, rule
36 or regulation, the department shall waive the audit required in this
37 subsection with respect to all issues addressed by the federal audit
38 report. However, the department may require an audit of matters that
39 are not, in the department's judgment, addressed by the federal report
40 including, but not limited to, verification of compliance with
41 requirements specific to the program, such as job-generation standards
42 and reporting.

43 (cf: P.L.1999, c.239, s.5)

44
45 6. Section 6 of P.L.1999, c.239 (C.52:27D-448) is amended to
46 read as follows:

1 6. The department may certify a nonprofit community development
2 corporation when it determines that the development corporation:
3 a. has developed a viable plan for providing training, access to
4 financing, and technical assistance for qualified recipients;
5 b. has demonstrated an ability to successfully provide training and
6 technical assistance to qualified recipients;
7 c. has broad-based community support within a [region] county
8 and has demonstrated support from other regional entities to provide
9 assistance with service delivery and financial aspects; and
10 d. has an adequate source of operating capital.

11 (cf: P.L.1999, c.239, s.6)

12

13 7. Section 7 of P.L.1999, c.239 (C.52:27D-449) is amended to
14 read as follows:

15 7. a. The department shall have, in addition to the powers
16 enumerated in section 9 of P.L.1966, c.293 (C.52:27D-9), the power
17 to enter into written agreements, including, but not limited to, limited
18 partnership agreements with one or more professional investors or
19 small business investment corporations, or inter-agency agreements
20 with one or more State agencies or authorities [, including but not
21 limited to, the New Jersey Economic Development Authority and the
22 New Jersey Development Authority for Small Businesses, Minorities'
23 and Women's Enterprises,] for the purposes of establishing a pool of
24 additional moneys which is to be used exclusively for [funding] grants
25 to certified corporations for the sole purpose of providing loans to
26 qualified recipients [and for the purposes of providing training and
27 technical assistance to qualified recipients to effectuate the purposes
28 of the program].

29 b. The department may also accept grants, donations, and other
30 private and public funds, including payments of interest on
31 [development] loans made by the department and use such moneys
32 received under this subsection for the purposes of the program.

33 (cf: P.L.1999, c.239, s.7)

34

35 8. Section 8 of P.L.1999, c.239 (C.52:27D-450) is amended to
36 read as follows:

37 8. The department shall [, in conjunction with certified
38 corporations and the New Jersey Economic Development Authority,]
39 prepare a report within two years following the effective date of [this
40 act] P.L.1999, c.239 (C.52:27D-443 et seq.), and not later than
41 September 15 of each third year thereafter. The report shall include,
42 but not be limited to: a description of the demand for the program
43 from qualified recipients; the number of qualified recipients the
44 program has assisted; the efforts made by the department and the
45 certified corporations to promote the program; the efforts of the

1 certified corporations to establish a pool of funds from private and
2 public sources; the total amount of loans issued by the certified
3 corporations; and an assessment of the effectiveness of the program in
4 meeting the goals of this act. The department shall submit its reports
5 to the Governor and the Legislature, along with any recommendations
6 [for legislation regarding the advisability and feasibility of expanding
7 the program Statewide, as appropriate, and] to improve the
8 effectiveness of the program.

9 (cf: P.L.1999, c.239, s.8)

10
11 9. Section 9 of P.L.1999, c.239 (C.52:27D-451) is amended to
12 read as follows:

13 9. The department shall adopt, pursuant to the "Administrative
14 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), rules and
15 regulations as may be necessary to effectuate the purposes of [this
16 act] P.L.1999, c.239 (C.52:27D-443 et seq.) including, but not limited
17 to: the criteria and procedures concerning certification of certified
18 corporations; the criteria and procedures for selecting from competing
19 grant applications and for awarding [development loans] grants to
20 certified corporations; the criteria and procedures to be followed by
21 certified corporations in administering revolving loan funds supported
22 by the program; the criteria for determining the terms and conditions
23 of [development] loans and [micro-credit loans and] loan
24 repayments; the criteria for determining nonperformance and declaring
25 default in the administration of [development loans and micro-credit]
26 loans; and the criteria and procedures to be followed by certified
27 corporations in providing training and technical assistance to qualified
28 recipients.

29 (P.L.1999, c.239, s.9)

30
31 10. There is appropriated from the General Fund to the
32 Department of Community Affairs a sum of \$750,000 to carry out the
33 purposes of this act, subject to the approval of the Director of the
34 Division of Budget and Accounting in the Department of the Treasury
35 and the Joint Budget Oversight Committee or its successor.

36
37 11. This act shall take effect immediately.

38
39
40 STATEMENT

41
42 This bill makes certain changes to the "New Jersey Women's Micro-
43 Business Credit Program" ("program") that was established in the
44 Department of Community Affairs ("department") as a pilot program
45 pursuant to P.L.1999, c.239 (C.52:27D-443 et seq.). The changes in
46 this bill, in establishing a permanent program, better reflect the original

1 intent of the program which is to assist only those female potential
2 entrepreneurs who have little or no prior business experience, are self-
3 motivated and are willing to undertake an extensive training program
4 and receive other kinds of technical assistance in order to gain the
5 necessary experience to start a successful business through grants
6 given to certified nonprofit community development corporations
7 ("certified corporations"). Currently, the only type of assistance
8 offered by the department to certified corporations are loans.

9 Under the provisions of the bill, 10 grants of \$75,000 each are
10 issued to certified corporations for the following purposes: (1) for
11 issuing loans, loan guarantees, or both, to certain women-owned
12 qualified recipients ("qualified recipients"); (2) providing training and
13 technical assistance to qualified recipients; (3) payment of
14 administrative expenses, except that such expenses shall not amount
15 to greater than 20 percent of the grant; and (4) payment of auditing or
16 consulting fees.

17 A qualified recipient must be one or more women who intend to
18 establish a business enterprise which is to be independently owned and
19 operated solely by the woman or women, each having a gross annual
20 personal income of an amount less than 200% of the official poverty
21 line, as determined by the Director of the federal Office of
22 Management and Budget. Currently, the income limit is an amount
23 less than 125 percent of the official poverty line.

24 In establishing a permanent program, the bill requires the
25 department to cooperate with certified corporations in no less than
26 seven different counties in seeking to involve the resources of local
27 banks and financial institutions in order to leverage funds available for
28 the program. The counties shall be determined by the department on
29 the basis of: comparative unemployment or underemployment; an
30 economic environment conducive to the establishment of businesses
31 built by qualified recipients; the need for assistance in creating business
32 opportunities for qualified recipients where such activity will enhance
33 a small business economy; and the level of anticipated financial and
34 other participation of county economic development agencies,
35 municipal economic development agencies or business organizations,
36 and county or municipal educational and nonprofit organizations. As
37 part of the pilot program, current law required the department to
38 designate three certified corporations in an equitable manner to
39 achieve representation from the northern, central and southern regions
40 of the State.

41 The bill allows loan funds to be used by a certified corporation to
42 establish a revolving loan fund from which the certified corporation
43 may issue loans and loan guarantees to qualified recipients, provided
44 that a single loan or loan guarantee amount, as part of a loan
45 agreement, does not exceed \$5,000, or issue additional loans to
46 qualified recipients which have completed payments on an earlier loan,

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11

1 under terms and conditions of the certified corporation.

2 The bill appropriates a sum not to exceed \$750,000 from the
3 General Fund to the department to implement the provisions of the
4 bill, subject to the approval of the Director of the Division of Budget
5 and Accounting in the Department of the Treasury and the Joint
6 Budget Oversight Committee or its successor.

ASSEMBLY COMMERCE AND ECONOMIC DEVELOPMENT
COMMITTEE

STATEMENT TO

[First Reprint]

SENATE, No. 836

STATE OF NEW JERSEY

DATED: SEPTEMBER 23, 2004

The Assembly Commerce and Economic Development Committee reports favorably Senate Bill No. 836 (1R).

This bill makes certain changes to the "New Jersey Women's Micro-Business Credit Program" ("program") that was established in the Department of Community Affairs ("department") as a pilot program pursuant to P.L.1999, c.239 (C.52:27D-443 et seq.). The changes in this bill, in establishing a permanent program, intend to assist only those female potential entrepreneurs who have little or no prior business experience, are self-motivated and are willing to undertake an extensive training program and receive other kinds of technical assistance in order to gain the necessary experience to start a successful business through grants given to certified nonprofit community development corporations ("certified corporations") or an organization whose primary objective is to support and encourage business ownership by women and which maintains a visible Statewide presence ("Statewide organization").

Under the provisions of the bill, grants are issued to certified corporations or a Statewide organization for the following purposes: (1) for issuing loans, loan guarantees, or both, to certain women-owned qualified recipients ("qualified recipients"); (2) providing training and technical assistance to qualified recipients; and (3) payment of reasonable administrative expenses, except that such expenses shall not amount to greater than 20 percent of the grant.

A qualified recipient must be one or more women who intend to establish a business enterprise which is to be independently owned and operated solely by the woman or women, each having a gross annual personal income of an amount less than 350 percent of the official poverty line, as determined by the Director of the federal Office of Management and Budget. Currently, the income limit is an amount less than 125 percent of the official poverty line.

In establishing a permanent program, the bill requires the department to cooperate with up to four certified corporations, with each located in one of the four regions of the State or a Statewide

organization. The selection of the four certified corporations or a Statewide organization is based on several factors, including: comparative unemployment or underemployment; an economic environment conducive to the establishment of businesses built around qualified businesses; the need for assistance in creating qualified businesses where such activity will protect or enhance a small business economy; and the level of anticipated financial and other participation of county economic development agencies, municipal economic development agencies or business organizations, and county or municipal educational and nonprofit organizations.

The bill allows loan funds to be used by a certified corporation or a Statewide organization to establish a revolving loan fund from which the certified corporation or Statewide organization may issue loans and loan guarantees to qualified recipients, provided that a single loan or loan guarantee amount, as part of a loan agreement, does not exceed \$5,000, or issue additional loans to qualified recipients which have completed payments on an earlier loan, under terms and conditions of the certified corporation or Statewide organization.

The department may use up to five percent of the funds received from the General Fund for the purposes of implementing the program for administrative costs.

SENATE ECONOMIC GROWTH COMMITTEE

STATEMENT TO

SENATE, No. 836

with committee amendments

STATE OF NEW JERSEY

DATED: MAY 10, 2004

The Senate Economic Growth Committee reports favorably Senate Bill No. 836 with committee amendments.

This bill, as amended, makes certain changes to the "New Jersey Women's Micro-Business Credit Program" ("program") that was established in the Department of Community Affairs ("department") as a pilot program pursuant to P.L.1999, c.239 (C.52:27D-443 et seq.). The changes in this bill, in establishing a permanent program, intend to assist only those female potential entrepreneurs who have little or no prior business experience, are self-motivated and are willing to undertake an extensive training program and receive other kinds of technical assistance in order to gain the necessary experience to start a successful business through grants given to certified nonprofit community development corporations ("certified corporations") or an organization whose primary objective is to support and encourage business ownership by women and which maintains a visible statewide presence ("statewide organization").

Under the provisions of the bill, grants are issued to certified corporations or a statewide organization for the following purposes: (1) for issuing loans, loan guarantees, or both, to certain women-owned qualified recipients ("qualified recipients"); (2) providing training and technical assistance to qualified recipients; and (3) payment of reasonable administrative expenses, except that such expenses shall not amount to greater than 20 percent of the grant.

A qualified recipient must be one or more women who intend to establish a business enterprise which is to be independently owned and operated solely by the woman or women, each having a gross annual personal income of an amount less than 350 percent of the official poverty line, as determined by the Director of the federal Office of Management and Budget. Currently, the income limit is an amount less than 125 percent of the official poverty line.

In establishing a permanent program, the bill requires the department to cooperate with up to four certified corporations, with each located in one of the four regions of the State or a statewide

organization. The selection of the four certified corporations or a statewide organization is based on several factors, including: comparative unemployment or underemployment; an economic environment conducive to the establishment of businesses built around qualified businesses; the need for assistance in creating qualified businesses where such activity will protect or enhance a small business economy; and the level of anticipated financial and other participation of county economic development agencies, municipal economic development agencies or business organizations, and county or municipal educational and nonprofit organizations.

The bill allows loan funds to be used by a certified corporation or a statewide organization to establish a revolving loan fund from which the certified corporation or statewide organization may issue loans and loan guarantees to qualified recipients, provided that a single loan or loan guarantee amount, as part of a loan agreement, does not exceed \$5,000, or issue additional loans to qualified recipients which have completed payments on an earlier loan, under terms and conditions of the certified corporation or statewide organization.

The department may use up to five percent of the funds received from the General Fund for the purposes of implementing the program for administrative costs.

The committee amended the bill to: 1) include the ability of a statewide organization to participate in the program; 2) increase the percentage of the maximum gross annual personal income, as based on the official poverty line, up to an amount less than 350 percent; 3) remove the number and amount of grants issued by the department; 4) remove the requirement to pay to the certified corporation auditing and consulting fees from a portion of the grant; 5) designate that up to four certified corporations, with each located in one of the four regions of the State, or a statewide organization participate in the program and set criteria for their selection; 6) allow the department to use up to five percent of the funds received from the General Fund for the purposes of implementing the program for administrative costs; and 7) remove the \$750,000 appropriation.

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 836

STATE OF NEW JERSEY

211th LEGISLATURE

DATED: DECEMBER 2, 2004

SUMMARY

- Synopsis:** Makes changes to "New Jersey Women's Micro-Business Assistance Act."
- Type of Impact:** Increased cost to General Fund; Potential transfer of monies from the 'Fund for Community Economic Development' and the 'Statewide Loan Pool for Businesses' from the New Jersey Economic Development Authority (EDA) to leverage funding available in the micro-business credit program in the Department of Community Affairs (DCA); Increased investment in the form of loans to small businesses for women who are qualified recipients.
- Agencies Affected:** DCA; EDA; New Jersey Development Authority for Small Businesses, Minorities and Women's Enterprises; Department of Human Services (DHS); certified nonprofit community development corporations or a statewide organization to be selected by DCA; nonprofit corporation to be established for promoting the loan program across the State; any State agency that enters into a written agreement with DCA to establish an additional pool of money to award grants.

Office of Legislative Services Estimate

| Fiscal Impact | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> |
|----------------------|---|----------------------|----------------------|
| State Cost | Ongoing costs to General Fund. | | |
| State Revenue | Potential revenue from acceptance of grants, donations, and other public or private funds, including payments of interest on loans made by DCA. | | |

- ! The Office of Legislative Services (OLS) is unable to determine the cost of this program to the State because the annual appropriation of funds to support the program will depend on the amount of State funds and other funding sources made available for the program from available resources in each fiscal year.
- ! This bill makes certain changes to the "New Jersey Women's Micro-Business Credit Program" that was established in DCA as a pilot program pursuant to P.L.1999, c.239 (C.52:27D-443 et seq.).

- ! This bill creates in DCA a grant program known as the "New Jersey Women's Micro-Business Credit Program" for the purpose of providing grants to certified corporations or a Statewide organization to be used for the following purposes 1) issuing loans, loan guarantees, or both, to qualified recipients; 2) provide training and technical assistance to qualified recipients; 3) payment of reasonable administrative expenses as approved by the commissioner of DCA never to exceed 20 percent of the grant award.
- ! Funding for the grant program in DCA will be made available from such moneys that DCA determines are necessary to effectively implement the program, in response to the demand for the program, and from other assistance programs administered by DCA or by other State agencies or authorities, or from other moneys as may be made available for the program pursuant to P.L.1999, c.239 (C.52:27D-443 et seq.).
- ! Under the bill DCA also is authorized to enter into agreements to leverage the moneys available to support the program with moneys that may be available from other sources of financing including, but not limited to, the Fund for Community Economic Development and the Statewide Loan Pool for Business established by the EDA.
- ! This bill also authorizes DCA to enter into written agreements for limited partnership agreements with one or more professional investors or small business investment corporations, or inter-agency agreements with one or more State agencies or authorities for the purpose of establishing an additional pool of moneys to be used to fund grants to certified corporations or a Statewide organization.
- ! The bill also authorizes the DCA to accept grants, donations, and other public and private funds, including payments of interest on loans made by DCA for the purpose of funding grants to certified corporations or a Statewide organization.

BILL DESCRIPTION

Senate Bill No. 836 (1R) of 2004 makes certain changes to the "New Jersey Women's Micro-Business Credit Program" that was established in the Department of Community Affairs as a pilot program pursuant to P.L.1999, c.239 (C.52:27D-443 et seq.). The changes in this bill intend to assist only those female potential entrepreneurs who have little or no prior business experience, are self-motivated and are willing to undertake an extensive training program and receive other kinds of technical assistance in order to gain the necessary experience to start a successful business through grants given to certified nonprofit community development corporations ("certified corporations") or an organization whose primary objective is to support and encourage business ownership by women and which maintains a visible Statewide presence ("Statewide organization").

Under the provisions of the bill, grants are issued to certified corporations or a Statewide organization for the following purposes: (1) for issuing loans, loan guarantees, or both, to certain women-owned qualified recipients ("qualified recipients"); (2) providing training and technical assistance to qualified recipients; and (3) payment of reasonable administrative expenses, except that such expenses shall not amount to greater than 20 percent of the grant.

A qualified recipient must be one or more women who intend to establish a business enterprise which is to be independently owned and operated solely by the woman or women, each having a gross annual personal income of an amount less than 350 percent of the official poverty line, as determined by the Director of the federal Office of Management and Budget. Currently, the income limit is an amount less than 125 percent of the official poverty line.

In establishing a permanent program, the bill requires the department to cooperate with up

to four certified corporations, with each located in one of the four regions of the State or a Statewide organization. The selection of the four certified corporations or a Statewide organization is based on several factors, including: comparative unemployment or underemployment; an economic environment conducive to the establishment of businesses built around qualified businesses; the need for assistance in creating qualified businesses where such activity will protect or enhance a small business economy; and the level of anticipated financial and other participation of county economic development agencies, municipal economic development agencies or business organizations, and county or municipal educational and nonprofit organizations.

The bill allows loan funds to be used by a certified corporation or a Statewide organization to establish a revolving loan fund from which the certified corporation or Statewide organization may issue loans and loan guarantees to qualified recipients, provided that a single loan or loan guarantee amount, as part of a loan agreement, does not exceed \$5,000, or issue additional loans to qualified recipients which have completed payments on an earlier loan, under terms and conditions of the certified corporation or Statewide organization.

The DCA may use up to five percent of the funds received from the General Fund for the purposes of implementing the program for administrative costs.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services (OLS) is unable to determine the cost of this program to the State because the annual appropriation of funds to support the program will depend on the amount of State funds and other funding sources made available for the program from available resources in each fiscal year. However, the OLS notes the cost of funding the grant program under this bill will be ongoing and dependent in part on the available moneys that DCA determines are necessary to effectively implement the program, in response to the demand for the program. In fiscal year 2004, \$750,000 was appropriated to DCA for a Women's Micro-Business Pilot Program. This funding was not expended in fiscal year 2004 and was reappropriated for fiscal year 2005. The OLS notes that this funding should be made available to support the "New Jersey Women's Micro-Business Credit Program" being proposed under this bill.

Section: *Local Government*

Analyst: *Pedro Carrasquillo*
Associate Fiscal Analyst

Approved: *David J. Rosen*
Legislative Budget and Finance Officer

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.

ASSEMBLY, No. 3251

STATE OF NEW JERSEY 211th LEGISLATURE

INTRODUCED SEPTEMBER 23, 2004

Sponsored by:

Assemblywoman JOAN VOSS

District 38 (Bergen)

Assemblyman UPENDRA J. CHIVUKULA

District 17 (Middlesex and Somerset)

Assemblyman JOHN F. MCKEON

District 27 (Essex)

Assemblyman JOSEPH VAS

District 19 (Middlesex)

Co-Sponsored by:

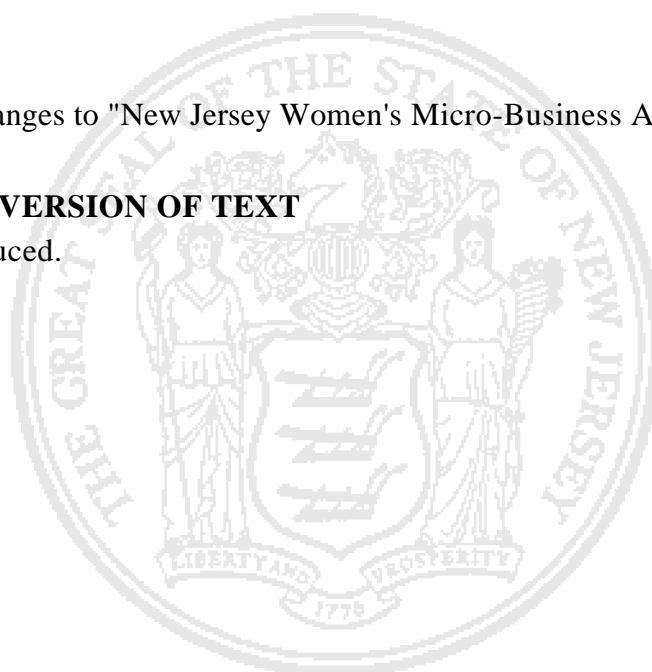
**Assemblywomen Previte, Cruz-Perez, Assemblymen Conaway, Connors
and Assemblywoman Vandervalk**

SYNOPSIS

Makes changes to "New Jersey Women's Micro-Business Assistance Act."

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 11/16/2004)

1 AN ACT concerning financial assistance to certain businesses and
2 amending P.L.1999, c.239 (C.52:27D-443 et seq.).

3
4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6
7 1. Section 1 of P.L.1999, c.239 (C.52:27D-443) is amended to
8 read as follows:

9 1. This act shall be known and may be cited as the "New Jersey
10 Women's Micro-Business [**Assistance**] Credit Act."
11 (cf: P.L.1999, c.239, s.1)

12

13 2. Section 2 of P.L.1999, c.239 (C.52:27D-444) is amended to
14 read as follows:

15 2. The Legislature finds and declares that:

16 a. Micro-business loans are usually granted to those [business
17 entrepreneurs with prior business experience who operate firms with
18 a small number of employees and are granted mostly to expand an
19 existing business] businesses that are mostly sole proprietorships with
20 five or fewer employees, that require an initial capital outlay of less
21 than \$35,000 to start a new business or expand an existing business,
22 utilize loans in amounts of less than \$15,000 with most loans being
23 paid back on time, and experience a default rate that is often no higher
24 than on commercial loans;

25 b. Experience in numerous other states and in certain urban areas
26 in New Jersey has shown that "micro lending," or carefully
27 underwriting small loans to individual entrepreneurs with
28 well-developed, realistic business plans, has been successful in helping
29 individuals, without regard to geographical location, to start
30 micro-businesses;

31 c. Nonprofit community-based development corporations have the
32 experience of providing the training and technical assistance that is
33 necessary for prospective entrepreneurs to establish a viable business;

34 d. While the New Jersey Economic Development Authority
35 currently manages several programs to promote the development of
36 micro and small businesses in the State and the New Jersey
37 Development Authority for Small Businesses, Minorities' and Women's
38 Enterprises has a peer group micro-lending program in place which
39 targets urban areas of the State, there is a need to establish a separate
40 micro-business credit program to provide [the help needed] new and
41 innovative ways to assist more unemployed women and
42 underemployed women in all areas of the State to enter or reenter the
43 marketplace and to recognize that nonprofit community-based

EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.

Matter underlined thus is new matter.

1 development corporations and certain Statewide women's business
2 organizations have the experience of providing the training and
3 technical assistance that is necessary for prospective entrepreneurs to
4 establish a viable business; and

5 e. It is appropriate to establish a [pilot] micro-business credit
6 program [to accomplish these goals in the] that would target only
7 those potential female entrepreneurs who have little or no prior
8 business experience, are self-motivated and are willing to undertake an
9 extensive training program and receive other kinds of technical
10 assistance in order to gain the necessary experience to start a
11 successful business through grants given to certified nonprofit
12 community development corporations and certain Statewide women's
13 business organizations, and the Department of Community Affairs
14 which has experience in evaluating and monitoring community
15 development corporations and which already manages a number of
16 programs through its Division on Women to assist women to improve
17 their lives is the appropriate State agency to accomplish these goals.
18 (cf: P.L.1999, c.239, s.2)

19

20 3. Section 3 of P.L.1999, c.239 (C.52:27D-445) is amended to
21 read as follows:

22 3. As used in this act:

23 "Act" means the "New Jersey Women's Micro-Business
24 [Assistance] Credit Act."

25 "Certified nonprofit community development corporation" or
26 "certified corporation" means a nonprofit community development
27 corporation, established pursuant to Title 15 of the Revised Statutes,
28 Title 15A of the New Jersey Statutes, or other law of this State, and
29 certified by the department pursuant to section 6 of this act to receive
30 [funds] grants for the purpose of issuing loans , loan guarantees, or
31 both, and providing training and technical assistance to qualified
32 [women-owned businesses] recipients;

33 "Commissioner" means the Commissioner of Community Affairs;

34 "Department" means the Department of Community Affairs;

35 ["Development loan" means money loaned to a certified
36 corporation by the department for the purpose of making micro-credit
37 loans to qualified recipients] "Grant" means money given to a certified
38 nonprofit community development corporation or a Statewide
39 organization by the department for the purpose of issuing loans, loan
40 guarantees, or both, pursuant to section 4 of P.L.1999, c.239
41 (C.52:27D-446);

42 ["Micro-credit loan" or "loan"] "Loan" means a loan made or
43 guaranteed to a qualified [woman-owned home-based business]
44 recipient under the terms and conditions set forth by a certified
45 nonprofit community development corporation [established pursuant

1 to Title 15 of the Revised Statutes, Title 15A of the New Jersey
2 Statutes, or other law of this State to provide training, technical
3 assistance, and access to capital for the startup of qualified
4 woman-owned businesses, including businesses conducted from a
5 residence] or a Statewide organization;

6 "Program" [or "pilot program"] means the New Jersey Women's
7 Micro-Business [Pilot] Credit Program established pursuant to section
8 4 of [this act] P.L.1999, c.239 (C.52:27D-446); and

9 "Qualified recipient" means one or more women who intend to
10 establish a business enterprise which is to be independently owned and
11 operated solely by the woman or women, as appropriate, who have
12 little or no prior business experience and each having a gross annual
13 personal income of an amount less than [125%] 350 percent of the
14 official poverty line, as determined by the Director of the federal
15 Office of Management and Budget. A qualified recipient may conduct
16 a business enterprise on a part-time basis, from a residence, or both.

17 "Statewide organization" means an organization whose primary
18 objective is to support and encourage business ownership by women
19 and which maintains a visible statewide presence.

20 (cf: P.L.2001, c.34, s.1)

21

22 4. Section 4 of P.L.1999, c.239 (C.52:27D-446) is amended to
23 read as follows:

24 4. a. There is created, in the department, a "New Jersey Women's
25 Micro-Business [Pilot] Credit Program." The program shall be
26 established by the department [in consultation with the New Jersey
27 Economic Development Authority]. The program shall consist of
28 [loans, loan guarantees, or both, and training and technical assistance
29 to be provided to qualified recipients from certified corporations for
30 the purposes of the program] grants to certified corporations or a
31 Statewide organization for the following purposes:

32 (1) issuing loans, loan guarantees, or both, to qualified recipients;

33 (2) providing training and technical assistance to qualified
34 recipients; and

35 (3) payment of reasonable administrative expenses as approved by
36 the commissioner, except that such expenses shall not amount to
37 greater than 20 percent of the grant.

38 b. To implement the program, the department shall provide
39 [development loans to certified corporations from such moneys that
40 the department determines are necessary to effectively implement the
41 program, in response to the demand for the program, and as may be
42 available from the repayment to the department by certified
43 corporations of development loans, from other assistance programs
44 administered by the department or by other State agencies or
45 authorities, or from such other moneys as may be made available for

1 the program pursuant to this act.

2 c. The commissioner shall designate areas for the location of three
3 certified corporations as part of the pilot program. In selecting the
4 areas for the certified corporations, the commissioner shall strive to
5 allocate the areas in an equitable manner to achieve representation
6 from the northern, central and southern regions of the State. In
7 selecting the areas in each region for the location of the certified
8 corporations, the department shall consider the following factors:
9 comparative unemployment or underemployment; an economic
10 environment conducive to the establishment of businesses built around
11 qualified businesses; the need for assistance in creating qualified
12 businesses where such activity will protect or enhance a small business
13 economy; and the level of anticipated financial and other participation
14 of county economic development agencies, municipal economic
15 development agencies or business organizations, and county or
16 municipal educational and nonprofit organizations.

17 d. The department shall, to the greatest extent feasible, coordinate
18 its efforts to implement the program with other State or federal
19 agencies or authorities including, but not limited to, the New Jersey
20 Development Authority for Small Businesses, Minorities' and Women's
21 Enterprises established pursuant to P.L.1985, c.386 (C.34:1B-47 et
22 seq.), the New Jersey Economic Development Authority established
23 pursuant to P.L.1974, c.80 (C.34:1B-1 et seq.), and the Department
24 of Human Services and shall enter into agreements to leverage the
25 moneys in the program with moneys that may be available from other
26 sources of financing including, but not limited to, the Fund for
27 Community and Economic Development and the Statewide Loan Pool
28 for Business.

29 e. The department shall, to the greatest extent feasible, advertise
30 the program to community development organizations in the northern,
31 central and southern regions of the State. In order to advertise and
32 promote the program, the department is authorized to organize or
33 participate in the organization of a nonprofit corporation which is
34 exempt from federal taxation under section 501(c)(3) of the Internal
35 Revenue Code. Such nonprofit corporation must directly further the
36 statutory mission of the department and the intent of this act.
37 Expenses incurred by such nonprofit corporations shall be payable
38 from funds raised by the nonprofit corporation, and no liability or
39 obligation, in tort or contract, shall be incurred by the department for
40 the operation of the nonprofit corporation. The nonprofit corporation
41 shall obtain private counsel and shall not be represented by the
42 department or indemnified by the department] grants to certified
43 corporations or a Statewide organization from such moneys that the
44 department determines are necessary to effectively implement the
45 program, in response to the demand for the program, and from other
46 assistance programs administered by the department or by other State

1 agencies or authorities, or from such other moneys as may be made
2 available for the program pursuant to P.L.1999, c.239 (C.52:27D-443
3 et seq.).

4 c. The commissioner shall designate areas for the location of up to
5 four certified corporations or a Statewide organization as part of the
6 program. In selecting the areas for the certified corporations, the
7 commissioner shall strive to allocate the areas in an equitable manner
8 to achieve representation from the northern, central, southern and
9 shore regions of the State. In selecting the areas in each region for the
10 location of the certified corporations, the department shall consider the
11 following factors: comparative unemployment or underemployment;
12 an economic environment conducive to the establishment of businesses
13 built around qualified businesses; the need for assistance in creating
14 qualified businesses where such activity will protect or enhance a small
15 business economy; the level of anticipated financial and other
16 participation of county economic development agencies, municipal
17 economic development agencies or business organizations, and county
18 or municipal educational and nonprofit organizations; and their ability
19 to provide the necessary services in each region. In selecting a
20 Statewide organization, the department shall consider the following
21 factors: comparative unemployment or underemployment in area
22 served; an economic environment conducive to the establishment of
23 businesses built around qualified businesses; the need for assistance in
24 creating qualified businesses where such activity will protect or
25 enhance a small business economy; the level of anticipated financial
26 and other participation of county economic development agencies,
27 municipal economic development agencies or business organizations,
28 and county or municipal educational and nonprofit organizations; and
29 their ability to provide the necessary services Statewide.

30 d. The department shall, to the greatest extent feasible, coordinate
31 its efforts to implement the program with other State or federal
32 agencies or authorities including, but not limited to, the New Jersey
33 Development Authority for Small Businesses, Minorities' and Women's
34 Enterprises established pursuant to P.L.1985, c.386 (C.34:1B-47 et
35 seq.), the New Jersey Economic Development Authority established
36 pursuant to P.L.1974, c.80 (C.34:1B-1 et seq.), and the Department
37 of Human Services and shall enter into agreements to leverage the
38 moneys in the program with moneys that may be available from other
39 sources of financing including, but not limited to, the Fund for
40 Community Economic Development and the Statewide Loan Pool for
41 Business as established by the New Jersey Economic Development
42 Authority.

43 e. The department shall, to the greatest extent feasible, advertise
44 the program to community development organizations in the northern,
45 central, southern and shore regions of the State or Statewide. In order
46 to advertise and promote the program, the department is authorized to

1 organize or participate in the organization of a nonprofit corporation,
2 which is exempt from federal taxation under section 501(c)(3) of the
3 Internal Revenue Code. Such nonprofit corporation must directly
4 further the statutory mission of the department and the intent of
5 P.L.1999, c.239 (C.52:27D-443 et seq.). Expenses incurred by such
6 nonprofit corporations shall be payable from funds raised by the
7 nonprofit corporation, and no liability or obligation, in tort or
8 contract, shall be incurred by the department for the operation of the
9 nonprofit corporation. The nonprofit corporation shall obtain private
10 counsel and shall not be represented by the department or indemnified
11 by the department.

12 (cf: P.L.1999, c.239, s.4)

13

14 5. Section 5 of P.L.1999, c.239 (C.52:27D-447) is amended to
15 read as follows:

16 5. a. The department shall use the moneys in the program as
17 established and for the purposes designated pursuant to section 4 of
18 [this act to make development loans to certified corporations]
19 P.L.1999, c.239 (C.52:27D-446).

20 b. In determining the criteria for making [development loans
21 available] grants to the certified corporations or the Statewide
22 organization, the department shall, in addition to applying customary
23 underwriting criteria, also consider:

24 (1) the plan and scope of business training and technical assistance
25 to be provided to qualified recipients;

26 (2) the plan and scope of other services to be provided to qualified
27 recipients;

28 (3) geographic representation among the regions chosen, pursuant
29 to subsection b. of section 4 of [this act] P.L.1999, c.239 (C.52:27D-
30 446);

31 (4) the ability of the certified corporation or the Statewide
32 organization, with its plan, to monitor and provide financial oversight
33 of recipients of loans, to administer a revolving loan fund, and to
34 investigate and qualify financing proposals and to service credit
35 accounts;

36 (5) the sources and the sufficiency of operating funds, other than
37 those provided herein, for the certified corporations or the Statewide
38 organization; and

39 (6) the intent of the certified corporation or the Statewide
40 organization, as set forth in its plan and written indications of local
41 institutional support, to provide services to qualified recipients in the
42 region within which it is located.

43 c. [Development loan] Loan funds may be used by a certified
44 corporation or the Statewide organization to:

45 (1) satisfy matching requirements for other State, federal, or private
46 funding only if funding is intended and used for the purpose of

- 1 providing or enhancing the certified corporation's or Statewide
2 organization's ability to provide and administer loans, technical
3 assistance, or business training to qualified recipients; [and]
4 (2) establish a revolving loan fund from which the certified
5 corporation or the Statewide organization may issue loans to qualified
6 recipients, provided that a single loan amount, as part of a loan
7 agreement, does not exceed \$5,000, or issue additional loans to
8 qualified recipients which have completed payments on an earlier loan,
9 under terms and conditions of the certified corporation or the
10 Statewide organization; or
11 (3) carry out the purposes of the provisions as provided in both
12 paragraphs (1) and (2) of this subsection.
- 13 d. [Development loan] Loan funds created by a certified
14 corporation or a Statewide organization shall not be:
15 (1) loaned for relending or investment in stocks, bonds, or other
16 securities or for property not intended for use in production by the
17 recipient of the loan; or
18 (2) used to refinance a nonperforming loan held by a financial
19 institution or to pay the operating costs of a certified corporation or
20 a Statewide organization; however, interest income earned from the
21 proceeds of a [development] loan may be used to pay operating
22 expenses.
- 23 e. Certified corporations or the Statewide organization are required
24 to contribute cash from other sources to leverage and secure loans
25 from the program. Contributions provided by the certified corporation
26 or a Statewide organization must be in a ratio of at least \$1 from other
27 sources for each \$3 in loans from the program and at least \$1 from
28 other sources for each \$4 for training, technical assistance and
29 administrative expenses from the program. These contributions may
30 come from a public or private source other than the program and may
31 be in the form of loans or grants.
- 32 f. [Development loans to] Loans made by a certified corporation
33 or a Statewide organization to a qualified recipient shall be made
34 pursuant to a loan agreement and may be amortization or term loans,
35 bear interest at less than the market rate, be renewable, and contain
36 other terms and conditions considered appropriate by the department
37 that are consistent with the purposes of [this act] P.L.1999, c.239
38 (C.52:27D-443 et seq.) and with rules and regulations promulgated by
39 the department to implement [this act] P.L.1999, c.239.
- 40 g. (1) Unless subject to federal law, rule or regulation, each
41 certified corporation or the Statewide organization that receives a
42 [development loan] grant under [this act] P.L.1999, c.239
43 (C.52:27D-443 et seq.) shall undergo an audit, at its own expense, at
44 least once every two years. The [department shall designate an
45 auditor to conduct the audit who] certified corporation or a Statewide

1 organization shall submit a copy of the audit to the department.

2 (2) If an audit is performed under a requirement of federal law, rule
3 or regulation, the department shall waive the audit required in this
4 subsection with respect to all issues addressed by the federal audit
5 report. However, the department may require an audit of matters that
6 are not, in the department's judgment, addressed by the federal report
7 including, but not limited to, verification of compliance with
8 requirements specific to the program, such as job-generation standards
9 and reporting.

10 h. The department may use up to five percent of the funds received
11 from the General Fund for the purposes of implementing the program,
12 as pursuant to P.L.1999, c.239 (C.52:27D-443 et seq.), for
13 administrative costs.

14 (cf: P.L.1999, c.239, s.5)

15

16 6. Section 6 of P.L.1999, c.239 (C.52:27D-448) is amended to
17 read as follows:

18 6. The department may certify a nonprofit community development
19 corporation or a Statewide organization when it determines that the
20 development corporation or the Statewide organization:

21 a. has developed a viable plan for providing training, access to
22 financing, and technical assistance for qualified recipients;

23 b. has demonstrated an ability to successfully provide training and
24 technical assistance to qualified recipients;

25 c. has broad-based community support within a region and has
26 demonstrated support from other regional entities to provide
27 assistance with service delivery and financial aspects; and

28 d. has an adequate source of operating capital.

29 (cf: P.L.1999, c.239, s.6)

30

31 7. Section 7 of P.L.1999, c.239 (C.52:27D-449) is amended to
32 read as follows:

33 7. a. The department shall have, in addition to the powers
34 enumerated in section 9 of P.L.1966, c.293 (C.52:27D-9), the power
35 to enter into written agreements, including, but not limited to, limited
36 partnership agreements with one or more professional investors or
37 small business investment corporations, or inter-agency agreements
38 with one or more State agencies or authorities [, including but not
39 limited to, the New Jersey Economic Development Authority and the
40 New Jersey Development Authority for Small Businesses, Minorities'
41 and Women's Enterprises,] for the purposes of establishing a pool of
42 additional moneys which is to be used exclusively for [funding] grants
43 to certified corporations or a Statewide organization for the sole
44 purpose of providing loans to qualified recipients [and for the
45 purposes of providing training and technical assistance to qualified
46 recipients to effectuate the purposes of the program].

1 b. The department may also accept grants, donations, and other
2 private and public funds, including payments of interest on
3 [development] loans made by the department and use such moneys
4 received under this subsection for the purposes of the program.

5 (cf: P.L.1999, c.239, s.7)

6

7 8. Section 8 of P.L.1999, c.239 (C.52:27D-450) is amended to
8 read as follows:

9 8. The department shall [, in conjunction with certified
10 corporations and the New Jersey Economic Development Authority,]
11 prepare a report within two years following the effective date of [this
12 act] P.L.1999, c.239 (C.52:27D-443 et seq.), and not later than
13 September 15 of each third year thereafter. The report shall include,
14 but not be limited to: a description of the demand for the program
15 from qualified recipients; the number of qualified recipients the
16 program has assisted; the efforts made by the department and the
17 certified corporations or the Statewide organization to promote the
18 program; the efforts of the certified corporations or the Statewide
19 organization to establish a pool of funds from private and public
20 sources; the total amount of loans issued by the certified corporations
21 or the Statewide organization; and an assessment of the effectiveness
22 of the program in meeting the goals of this act. The department shall
23 submit its reports to the Governor and the Legislature, along with any
24 recommendations [for legislation regarding the advisability and
25 feasibility of expanding the program Statewide, as appropriate, and]
26 to improve the effectiveness of the program.

27 (cf: P.L.1999, c.239, s.8)

28

29 9. Section 9 of P.L.1999, c.239 (C.52:27D-451) is amended to
30 read as follows:

31 9. The department shall adopt, pursuant to the "Administrative
32 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), rules and
33 regulations as may be necessary to effectuate the purposes of [this
34 act] P.L.1999, c.239 (C.52:27D-443 et seq.) including, but not limited
35 to: the criteria and procedures concerning certification of certified
36 corporations or the Statewide organization; the criteria and procedures
37 for selecting from competing grant applications and for awarding
38 [development loans] grants to certified corporations or the Statewide
39 organization; the criteria and procedures to be followed by certified
40 corporations or the Statewide organization in administering revolving
41 loan funds supported by the program; the criteria for determining the
42 terms and conditions of [development] loans and [micro-credit loans
43 and] loan repayments; the criteria for determining nonperformance and
44 declaring default in the administration of [development loans and
45 micro-credit] loans; and the criteria and procedures to be followed by

1 certified corporations or the Statewide organization in providing
2 training and technical assistance to qualified recipients.
3 (P.L.1999, c.239, s.9)

4
5 10. This act shall take effect immediately.

6
7
8 STATEMENT

9
10 This bill makes certain changes to the "New Jersey Women's Micro-
11 Business Credit Program" ("program") that was established in the
12 Department of Community Affairs ("department") as a pilot program
13 pursuant to P.L.1999, c.239 (C.52:27D-443 et seq.). The changes in
14 this bill, in establishing a permanent program, intend to assist only
15 those female potential entrepreneurs who have little or no prior
16 business experience, are self-motivated and are willing to undertake an
17 extensive training program and receive other kinds of technical
18 assistance in order to gain the necessary experience to start a
19 successful business through grants given to certified nonprofit
20 community development corporations ("certified corporations") or an
21 organization whose primary objective is to support and encourage
22 business ownership by women and which maintains a visible Statewide
23 presence ("Statewide organization").

24 Under the provisions of the bill, grants are issued to certified
25 corporations or a statewide organization for the following purposes:
26 (1) for issuing loans, loan guarantees, or both, to certain women-
27 owned qualified recipients ("qualified recipients"); (2) providing
28 training and technical assistance to qualified recipients; and (3)
29 payment of reasonable administrative expenses, except that such
30 expenses shall not amount to greater than 20 percent of the grant.

31 A qualified recipient must be one or more women who intend to
32 establish a business enterprise which is to be independently owned and
33 operated solely by the woman or women, each having a gross annual
34 personal income of an amount less than 350 percent of the official
35 poverty line, as determined by the Director of the federal Office of
36 Management and Budget. Currently, the income limit is an amount
37 less than 125 percent of the official poverty line.

38 In establishing a permanent program, the bill requires the
39 department to cooperate with up to four certified corporations, with
40 each located in one of the four regions of the State or a statewide
41 organization. The selection of the four certified corporations or a
42 Statewide organization is based on several factors, including:
43 comparative unemployment or underemployment; an economic
44 environment conducive to the establishment of businesses built around
45 qualified businesses; the need for assistance in creating qualified
46 businesses where such activity will protect or enhance a small business

1 economy; and the level of anticipated financial and other participation
2 of county economic development agencies, municipal economic
3 development agencies or business organizations, and county or
4 municipal educational and nonprofit organizations.

5 The bill allows loan funds to be used by a certified corporation or
6 a Statewide organization to establish a revolving loan fund from which
7 the certified corporation or statewide organization may issue loans and
8 loan guarantees to qualified recipients, provided that a single loan or
9 loan guarantee amount, as part of a loan agreement, does not exceed
10 \$5,000, or issue additional loans to qualified recipients which have
11 completed payments on an earlier loan, under terms and conditions of
12 the certified corporation or Statewide organization.

13 The department may use up to five percent of the funds received
14 from the General Fund for the purposes of implementing the program
15 for administrative costs.

ASSEMBLY COMMERCE AND ECONOMIC DEVELOPMENT
COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3251

STATE OF NEW JERSEY

DATED: SEPTEMBER 23, 2004

The Assembly Commerce and Economic Development Committee reports favorably Assembly Bill No. 3251.

This bill makes certain changes to the "New Jersey Women's Micro-Business Credit Program" ("program") that was established in the Department of Community Affairs ("department") as a pilot program pursuant to P.L.1999, c.239 (C.52:27D-443 et seq.). The changes in this bill, in establishing a permanent program, intend to assist only those female potential entrepreneurs who have little or no prior business experience, are self-motivated and are willing to undertake an extensive training program and receive other kinds of technical assistance in order to gain the necessary experience to start a successful business through grants given to certified nonprofit community development corporations ("certified corporations") or an organization whose primary objective is to support and encourage business ownership by women and which maintains a visible Statewide presence ("Statewide organization").

Under the provisions of the bill, grants are issued to certified corporations or a Statewide organization for the following purposes: (1) for issuing loans, loan guarantees, or both, to certain women-owned qualified recipients ("qualified recipients"); (2) providing training and technical assistance to qualified recipients; and (3) payment of reasonable administrative expenses, except that such expenses shall not amount to greater than 20 percent of the grant.

A qualified recipient must be one or more women who intend to establish a business enterprise which is to be independently owned and operated solely by the woman or women, each having a gross annual personal income of an amount less than 350 percent of the official poverty line, as determined by the Director of the federal Office of Management and Budget. Currently, the income limit is an amount less than 125 percent of the official poverty line.

In establishing a permanent program, the bill requires the department to cooperate with up to four certified corporations, with each located in one of the four regions of the State or a Statewide organization. The selection of the four certified corporations or a Statewide organization is based on several factors, including:

comparative unemployment or underemployment; an economic environment conducive to the establishment of businesses built around qualified businesses; the need for assistance in creating qualified businesses where such activity will protect or enhance a small business economy; and the level of anticipated financial and other participation of county economic development agencies, municipal economic development agencies or business organizations, and county or municipal educational and nonprofit organizations.

The bill allows loan funds to be used by a certified corporation or a Statewide organization to establish a revolving loan fund from which the certified corporation or Statewide organization may issue loans and loan guarantees to qualified recipients, provided that a single loan or loan guarantee amount, as part of a loan agreement, does not exceed \$5,000, or issue additional loans to qualified recipients which have completed payments on an earlier loan, under terms and conditions of the certified corporation or Statewide organization.

The department may use up to five percent of the funds received from the General Fund for the purposes of implementing the program for administrative costs.

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 3251
STATE OF NEW JERSEY
211th LEGISLATURE

DATED: NOVEMBER 17, 2004

SUMMARY

- Synopsis:** Makes changes to "New Jersey Women's Micro-Business Assistance Act."
- Type of Impact:** Increased cost to General Fund; Potential transfer of monies from the 'Fund for Community Economic Development' and the 'Statewide Loan Pool for Businesses' from the New Jersey Economic Development Authority (EDA) to leverage funding available in the micro-business credit program in the Department of Community Affairs (DCA); Increased investment in the form of loans to small businesses for women who are qualified recipients.
- Agencies Affected:** DCA; EDA; New Jersey Development Authority for Small Businesses, Minorities and Women's Enterprises; Department of Human Services (DHS); certified nonprofit community development corporations or a statewide organization to be selected by DCA; nonprofit corporation to be established for promoting the loan program across the State; any State agency that enters into a written agreement with DCA to establish an additional pool of money to award grants.

Office of Legislative Services Estimate

| Fiscal Impact | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> |
|----------------------|---|----------------------|----------------------|
| State Cost | Ongoing costs to General Fund. | | |
| State Revenue | Potential revenue from acceptance of grants, donations, and other public or private funds, including payments of interest on loans made by DCA. | | |

- ! The Office of Legislative Services (OLS) is unable to determine the cost of this program to the State because the annual appropriation of funds to support the program will depend on the amount of State funds and other funding sources made available for the program from available resources in each fiscal year.
- ! This bill makes certain changes to the "New Jersey Women's Micro-Business Credit Program" that was established in DCA as a pilot program pursuant to P.L.1999, c.239 (C.52:27D-443 et seq.).
- ! This bill creates in DCA a grant program known as the "New Jersey Women's Micro-

Business Credit Program" for the purpose of providing grants to certified corporations or a Statewide organization to be used for the following purposes 1) issuing loans, loan guarantees, or both, to qualified recipients; 2) provide training and technical assistance to qualified recipients; 3) payment of reasonable administrative expenses as approved by the commissioner of DCA never to exceed 20 percent of the grant award.

- ! Funding for the grant program in DCA will be made available from such moneys that DCA determines are necessary to effectively implement the program, in response to the demand for the program, and from other assistance programs administered by DCA or by other State agencies or authorities, or from other moneys as may be made available for the program pursuant to P.L.1999, c.239 (C.52:27D-443 et seq.).
- ! Under the bill DCA also is authorized to enter into agreements to leverage the moneys available to support the program with moneys that may be available from other sources of financing including, but not limited to, the Fund for Community Economic Development and the Statewide Loan Pool for Business established by the EDA.
- ! This bill also authorizes DCA to enter into written agreements for limited partnership agreements with one or more professional investors or small business investment corporations, or inter-agency agreements with one or more State agencies or authorities for the purpose of establishing an additional pool of moneys to be used to fund grants to certified corporations or a Statewide organization.
- ! The bill also authorizes the DCA to accept grants, donations, and other public and private funds, including payments of interest on loans made by DCA for the purpose of funding grants to certified corporations or a Statewide organization.

BILL DESCRIPTION

Assembly Bill No. 3251 of 2004 makes certain changes to the "New Jersey Women's Micro-Business Credit Program" that was established in the Department of Community Affairs as a pilot program pursuant to P.L.1999, c.239 (C.52:27D-443 et seq.). The changes in this bill intend to assist only those female potential entrepreneurs who have little or no prior business experience, are self-motivated and are willing to undertake an extensive training program and receive other kinds of technical assistance in order to gain the necessary experience to start a successful business through grants given to certified nonprofit community development corporations ("certified corporations") or an organization whose primary objective is to support and encourage business ownership by women and which maintains a visible Statewide presence ("Statewide organization").

Under the provisions of the bill, grants are issued to certified corporations or a Statewide organization for the following purposes: (1) for issuing loans, loan guarantees, or both, to certain women-owned qualified recipients ("qualified recipients"); (2) providing training and technical assistance to qualified recipients; and (3) payment of reasonable administrative expenses, except that such expenses shall not amount to greater than 20 percent of the grant.

A qualified recipient must be one or more women who intend to establish a business enterprise which is to be independently owned and operated solely by the woman or women, each having a gross annual personal income of an amount less than 350 percent of the official poverty line, as determined by the Director of the federal Office of Management and Budget. Currently, the income limit is an amount less than 125 percent of the official poverty line.

In establishing a permanent program, the bill requires the department to cooperate with up to four certified corporations, with each located in one of the four regions of the State or a Statewide organization. The selection of the four certified corporations or a Statewide organization is based on several factors, including: comparative unemployment or underemployment; an economic environment conducive to the establishment of businesses built around qualified businesses; the need for assistance in creating qualified businesses where such activity will protect or enhance a small business economy; and the level of anticipated financial and other participation of county economic development agencies, municipal economic development agencies or business organizations, and county or municipal educational and nonprofit organizations.

The bill allows loan funds to be used by a certified corporation or a Statewide organization to establish a revolving loan fund from which the certified corporation or Statewide organization may issue loans and loan guarantees to qualified recipients, provided that a single loan or loan guarantee amount, as part of a loan agreement, does not exceed \$5,000, or issue additional loans to qualified recipients which have completed payments on an earlier loan, under terms and conditions of the certified corporation or Statewide organization.

The DCA may use up to five percent of the funds received from the General Fund for the purposes of implementing the program for administrative costs.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services (OLS) is unable to determine the cost of this program to the State because the annual appropriation of funds to support the program will depend on the amount of State funds and other funding sources made available for the program from available resources in each fiscal year. However, the OLS notes the cost of funding the grant program under this bill will be ongoing and dependent in part on the available moneys that DCA determines are necessary to effectively implement the program, in response to the demand for the program. In fiscal year 2004, \$750,000 was appropriated to DCA for a Women's Micro-Business Pilot Program. This funding was not expended in fiscal year 2004 and was reappropriated for fiscal year 2005. The OLS notes that this funding should be made available to support the "New Jersey Women's Micro-Business Credit Program" being proposed under this bill.

Section: *Local Government*

Analyst: *Pedro Carrasquillo*
Associate Fiscal Analyst

Approved: *David J. Rosen*
Legislative Budget and Finance Officer

A3251

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.