

SECTION 8. Title 42 of the General Laws entitled "STATE AFFAIRS AND GOVERNMENT" is hereby amended by adding thereto the following chapter:

CHAPTER 64.25

SMALL BUSINESS ASSISTANCE PROGRAM

**42-64.25-1. Short title.** -- This chapter shall be known as the "Small Business Assistance Program Act."

**42-64.25-2. Statement of intent.** -- The general assembly hereby finds and declares that small businesses are the economic backbone of the state and the source of a majority of new jobs. The general assembly further finds that too many such businesses often have difficulty obtaining capital from traditional banking organizations to start up, improve or expand operations. Providing greater access to capital would enable the formation and expansion of small businesses across the state and provide job opportunities to the state's citizens. The purpose of this act is to assist small businesses that encounter difficulty in obtaining adequate credit or adequate terms for such credit. Among the small businesses that this act aims to assist are minority business enterprises and women-owned business enterprises.

**42-64.25-3. Establishment of small business capital access fund.** -- The small business capital access fund program is hereby created within the Rhode Island commerce corporation. The commerce corporation is authorized, within available appropriations, to provide direct assistance and/or partner with lending organizations to provide funding for loans to small businesses located in Rhode Island. As used in this chapter, a "small business" means a business that is resident in Rhode Island and employs two hundred (200) or fewer persons. The commerce corporation is authorized, from time to time, to establish rules and regulations for the administration of the program.

**42-64.25-4. Qualifications of lending organizations.** -- The commerce corporation may elect to partner with an outside lending organization and authorize that organization to receive and administer program funds. Before partnering with an outside lending organization, the commerce corporation may identify eligible lending organizations through one or more competitive statewide or regional solicitations.

**42-64.25-5. Program loan structures.** -- Loan programs shall be structured by the commerce corporation that may include, but not be limited to, the following programs: (a) financing programs for companies that require additional capital outside of conventional senior debt or equity financing channels; (b) direct lending of subordinated and mezzanine debt; (c) collateral support in the form of credit enhancement; (d) pledge of cash collateral accounts to lending institutions to enhance collateral coverage of individual loans; and (e) technical assistance

to small businesses.

**42-64.25-6. Micro-loan allocation.** -- Notwithstanding anything to the contrary in this chapter, ten percent (10%) of program funds will be allocated to "micro loans" with a principal amount between two thousand dollars and twenty-five thousand dollars. Micro loans will be administered by lending organizations, which will be selected by the commerce corporation on a competitive basis and shall have experience in providing technical and financial assistance to microenterprises.

**42-64.25-7. Lending organization reports.** -- Any participating lending organizations shall submit to the commerce corporation annual reports stating the following: the number of program loans made; the amount of program funding used for loans; the use of loan proceeds by the borrowers; the number of jobs created or retained; a description of the economic development generated; the status of each outstanding loan; and such other information as the commerce corporation may require.

**42-64.25-8. Audits.** -- The commerce corporation may conduct audits of any participating lending organization in order to ensure compliance with the provisions of this chapter, any regulations promulgated with respect thereto and agreements between the lending organizations and the commerce corporation on all aspects of the use of program funds and program loan transactions. In the event that the commerce corporation finds noncompliance, the commerce corporation may terminate the lending organization's participation in the program.

**42-64.25-9. Termination.** -- Upon termination of a lending organization's participation in the program, the lending organization shall return to the commerce corporation, promptly after its demand therefor, an accounting of all program funds received by the lending organization, including a transfer of all currently outstanding loans that were made using program funds. Notwithstanding such termination, the lending organization shall remain liable to the commerce corporation with respect to any unpaid amount due from the lending organization pursuant to the terms of the commerce corporation's provision of funds to the lending organization.

**42-64.25-10. Discretion.** -- The commerce corporation shall have no obligation to grant any loan under this chapter or provide any funding to a lending organization.

**42-64.25-11. Limitations.** -- (a) The commerce corporation shall not grant any financial commitment from state program funds to any applicant in excess of seven hundred and fifty thousand (\$750,000) dollars under this program.

(b) The commerce corporation shall have no authority to award grants except to technical assistance providers under this program.

**42-64.25-12. Reporting requirements.** -- The commerce corporation shall publish a

report on the small business capital access fund at the end of each fiscal year. The report shall contain information on the commitment, disbursement, and use of funds allocated under the fund. The report shall also, to the extent practicable, track the economic impact of projects that have been completed using the fund. The report is due no later than sixty (60) days after the end of the fiscal year, and shall be provided to the speaker of the house of representatives and the president of the senate.

**42-64.25-13. Program integrity.** -- Program integrity being of paramount importance, the commerce corporation shall establish procedures to ensure ongoing compliance with the terms and conditions of the program established herein, including procedures to safeguard the expenditure of public funds and to ensure that the funds further the objectives of the program.

**42-64.25-14. Sunset.** -- No grants, funding, or incentives shall be authorized pursuant to this chapter after December 31, 2018.