

Senate Engrossed
commerce; 2023-2024.

State of Arizona
Senate
Fifty-sixth Legislature
First Regular Session
2023

CHAPTER 136
SENATE BILL 1723

AN ACT

AMENDING SECTION 43-409, ARIZONA REVISED STATUTES; APPROPRIATING MONIES;
RELATING TO THE ARIZONA COMMERCE AUTHORITY.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 43-409, Arizona Revised Statutes, is amended to
3 read:

4 43-409. Job creation withholdings clearing account

5 A. The job creation withholdings clearing account is established
6 consisting of ~~the sum of \$21,500,000 in fiscal year 2018-2019 and~~
7 ~~\$15,500,000~~ \$10,500,000 in each fiscal year ~~after fiscal year 2018-2019~~.

8 B. On the twentieth day of each month, the state treasurer shall
9 credit the following amounts from the clearing account:

10 1. To the Arizona commerce authority fund established by section
11 41-1506, one-twelfth of the annual sum of \$10,000,000 in each fiscal year.

12 2. To the Arizona competes fund established by section 41-1545.01,
13 one-twelfth of the annual sum of ~~\$11,500,000 in fiscal year 2018-2019 and~~
14 ~~\$5,500,000~~ \$500,000 in each fiscal year ~~after fiscal year 2018-2019~~.

15 Sec. 2. Rural broadband accelerated match fund; annual report

16 A. The rural broadband accelerated match fund is established
17 consisting of legislative appropriations. Monies in the fund are
18 continuously appropriated. The Arizona commerce authority shall
19 administer the fund. Monies in the fund are exempt from the provisions of
20 section 35-190, Arizona Revised Statutes, relating to lapsing of
21 appropriations. In fiscal year 2023-2024, the authority shall use monies
22 in the fund to assist political subdivisions in this state to meet the
23 matching requirement for the federal broadband equity, access and
24 deployment program. The authority shall distribute monies in the fund as
25 follows:

26 1. Not more than one percent in fiscal year 2023-2024 to administer
27 the fund.

28 2. Twenty-five percent to counties with a population of one hundred
29 thousand persons or more. A county with a population of more than one
30 million persons is not eligible for funding.

31 3. Twenty-five percent to counties with a population of less than
32 one hundred thousand persons.

33 4. Twenty-five percent to municipalities with a population of ten
34 thousand persons or more. A municipality that is partially or entirely
35 located in an urbanized area of a county and that has a population of more
36 than one million persons is not eligible for funding.

37 5. Twenty-five percent to municipalities with a population of less
38 than ten thousand persons.

39 B. On or before September 1 of each year until all monies have been
40 expended from the fund, the authority shall submit a report to the
41 president of the senate, the speaker of the house of representatives, the
42 director of the joint legislative budget committee and the director of the
43 governor's office of strategic planning and budgeting and shall provide a
44 copy of the report to the secretary of state detailing the use of monies
45 from the fund for the previous fiscal year. The report shall include the

1 entities to which the authority distributed monies, the amount
2 distributed, a description of the projects funded, the federal match rate
3 on each project, the status of each project, the price of services and an
4 assessment of the total impact of each project.

5 C. The authority may give preference to applicants that demonstrate
6 either of the following:

- 7 1. The percentage of matching monies provided by the applicant.
- 8 2. The extent that the applicant will partner with other entities
9 to deliver the project.

10 Sec. 3. Water infrastructure and commerce grant fund;
11 distribution of monies; retroactivity

12 A. Notwithstanding section 41-1510, Arizona Revised Statutes, the
13 Arizona commerce authority shall award water infrastructure and commerce
14 grant fund monies to eligible entities for projects beginning after
15 January 1, 2023.

16 B. Notwithstanding section 41-1510, Arizona Revised Statutes, the
17 Arizona commerce authority shall allocate and distribute monies from the
18 water infrastructure and commerce grant fund established by section
19 41-1510, Arizona Revised Statutes, not later than December 31, 2025.

20 C. This section is retroactive to from and after December 31, 2022.

21 Sec. 4. Microbusiness loan program; fund; eligible entities;
22 report; definitions

23 A. The microbusiness loan fund is established consisting of
24 legislative appropriations. The office of economic opportunity shall
25 administer the fund. Monies in the fund are continuously appropriated and
26 are exempt from the provisions of section 35-190, Arizona Revised
27 Statutes, relating to lapsing of appropriations. In fiscal year
28 2023-2024, the office of economic opportunity shall use the monies in the
29 fund for the microbusiness loan program.

30 B. The office of economic opportunity shall establish the
31 microbusiness loan program to provide funding to eligible entities that
32 provide loans to microbusinesses in this state.

33 C. The office of economic opportunity shall publicly list and
34 solicit program applications for the participation and funding of eligible
35 entities.

36 D. In fiscal year 2023-2024 to receive funding from the program, an
37 eligible entity must satisfy the following criteria:

- 38 1. Have expertise in microbusiness loan applications and evaluating
39 microbusiness creditworthiness.
- 40 2. Establish an administrative system to monitor the microbusiness
41 loans provided pursuant to this section.
- 42 3. Evaluate whether a proposed microbusiness loan will generate
43 economic development and jobs within this state.
- 44 4. Refer all microbusiness loan recipients to a local organization
45 or nonprofit organization that provides professional financial education.

1 E. A microbusiness loan provided by an eligible entity pursuant to
2 this section may be used for the following:

- 3 1. Operation of the microbusiness, including creation and retention
4 of jobs.
- 5 2. Working capital.
- 6 3. Acquisition or improvement of real property.
- 7 4. Acquisition of machinery and equipment.
- 8 5. Refinancing of debt obligations.

9 F. The office of economic opportunity shall market and advertise
10 the program to microbusinesses that are unable to access traditional
11 funding sources and offer information on other similar programs. The
12 office of economic opportunity may use up to one percent of the monies
13 deposited in the fund for the purposes of this subsection.

14 ~~G.~~ For each loan disbursed by an eligible entity using monies from
15 the program, the following requirements apply:

- 16 1. The principal amount of an individual loan may not exceed
17 \$50,000.
- 18 2. Program monies may not be used for more than twenty-five percent
19 of the principal amount of the loan, but the office of economic
20 opportunity may set a higher cap by rule.
- 21 3. Any principal and interest amounts repaid on program monies
22 shall be used only for additional microbusiness loans pursuant to this
23 section.

24 H. An eligible entity that participates in the program shall
25 certify with the office of economic opportunity that a loan to a
26 microbusiness complies with this section.

27 I. An eligible entity that participates in the program may charge
28 application, commitment and loan guarantee fees as established by the
29 eligible entity's management. Fees charged by eligible entities pursuant
30 to this subsection may not exceed the following:

- 31 1. \$500 for loans with a principal amount less than \$25,000.
- 32 2. Two percent of the total loan principal for loans with a
33 principal amount of \$25,000 or more.

34 J. On or before February 1, 2024, the office of economic
35 opportunity shall submit a report on the number of microfinance lenders in
36 this state, the availability of microbusiness credit in this state and any
37 recommendations for increasing the availability of credit to
38 microbusinesses in this state to the governor, the president of the
39 senate, the speaker of the house of representatives, the joint legislative
40 budget committee and the governor's office of strategic planning and
41 budgeting and shall provide a copy of the report to the secretary of
42 state.

43 K. On or before July 31, 2024, the office of economic opportunity
44 shall submit a report to the governor, the president of the senate, the
45 speaker of the house of representatives and the joint legislative budget

- 1 committee and provide a copy of the report to the secretary of state that
2 contains all of the following:
- 3 1. A list of the eligible entities that have received funding from
4 the program.
 - 5 2. The number of microbusiness loans made by each eligible entity
6 using monies from the program and the type of business each loan recipient
7 operates.
 - 8 3. The average principal amount of microbusiness loans made by each
9 eligible entity using monies from the program.
 - 10 4. The county and zip code of each eligible entity.
 - 11 5. The county and zip code of the recipients of each loan made to
12 an eligible entity with monies from the program.
 - 13 6. The current outstanding principal of microbusiness loans made by
14 eligible entities using program monies.
 - 15 7. The total amount of loan losses for microbusiness loans made by
16 eligible entities using program monies.
 - 17 8. The total amount of principal repaid to eligible entities for
18 microbusiness loans made pursuant to this section.
 - 19 9. The total amount of interest earned and fees charged by eligible
20 entities for microbusiness loans made pursuant to this section.
 - 21 L. The office of economic opportunity may not allocate more than
22 \$2,000,000 of the monies deposited into the fund to an eligible entity.
23 The office of economic opportunity shall allocate program funds so that
24 there is a participating eligible entity from at least two different
25 counties.
 - 26 M. For the purposes of this section:
 - 27 1. "Community development financial institution" means an entity
28 that is currently certified pursuant to 12 Code of Federal Regulations
29 section 1805.201.
 - 30 2. "Eligible entity" means a community development financial
31 institution or a nonprofit lender in this state with at least two years of
32 lending experience.
 - 33 3. "Microbusiness" means a business that is located in this state,
34 that is independently owned and operated and that employs five or fewer
35 people.

APPROVED BY THE GOVERNOR MAY 11, 2023.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 12, 2023.