



ARIZONA STATE SENATE
Fifty-Sixth Legislature, First Regular Session

FACT SHEET FOR S.B. 1723

commerce; 2023-2024.

Purpose

Makes statutory and session law changes relating to commerce necessary to implement the FY 2024 state budget.

Background

The Arizona Constitution prohibits substantive law from being included in the general appropriations, capital outlay appropriations and supplemental appropriations bills. However, it is often necessary to make statutory and session law changes to effectuate the budget. Thus, separate bills called budget reconciliation bills (BRBs) are introduced to enact these provisions. Because BRBs contain substantive law changes, the Arizona Constitution provides that they become effective on the general effective date, unless an emergency clause is enacted.

S.B. 1723 contains the budget reconciliation provisions for changes relating to commerce.

Provisions

Job Creation Withholdings Clearing Account

1. Decreases the annual amount prescribed for deposit into the Job Creation Withholdings Account (Account) from \$15,500,000 to \$10,500,000 in each fiscal year.
2. Reduces the total amount credited by the State Treasurer from the Account to the Arizona Competes Fund from \$5,500,000 to \$500,000 in each fiscal year.

Rural Broadband Accelerated Match Fund

3. Establishes the Rural Broadband Accelerated Match Fund (Match Fund), administered by the Arizona Commerce Authority (ACA), and consisting of legislative appropriations.
4. Stipulates that Match Fund monies are continuously appropriated and exempt from lapsing.
5. Requires the ACA, in FY 2024, to use monies in the Match Fund to assist political subdivisions in Arizona to meet the matching requirement for the federal Broadband Equity, Access and Deployment Program.
6. Requires the ACA to distribute monies in the Match Fund as follows:
 - a) up to 1 percent in FY 2024 to administer the Match Fund;
 - b) 25 percent to counties with a population of 100,000 persons or more, except that a county with a population of more than 1,000,000 persons is not eligible for funding;
 - c) 25 percent to counties with a population of fewer than 100,000 persons;

- d) 25 percent to municipalities with a population of 10,000 persons or more, except that a municipality that is partially or entirely located in an urbanized area of a county and has a population of more than 1,000,000 persons is not eligible for funding; and
 - e) 25 percent to municipalities with a population of fewer than 10,000 persons.
7. Requires the ACA, by September 1 of each year until all monies have been expended from the Match Fund, to submit a report detailing the use of monies from the Match Fund for the previous fiscal year to:
- a) the President of the Senate;
 - b) the Speaker of the House of Representatives;
 - c) the Director of the Joint Legislative Budget Committee (JLBC);
 - d) the Director of the Governor's Office of Strategic Planning and Budgeting (OSP); and
 - e) the Secretary of State.
8. Requires the Match Fund report to include:
- a) the entities to which the ACA distributed monies;
 - b) the amount distributed;
 - c) a description of the projects funded;
 - d) the federal match rate on each project;
 - e) the status of each project;
 - f) the price of services; and
 - g) an assessment of the total impact of each project.
9. Allows the ACA to give preference to applicants that demonstrate either of the following:
- a) the percentage of matching monies provided by the applicant; or
 - b) the extent that the applicant will partner with other entities to deliver the project.

Water Infrastructure and Commerce Grant Fund

10. Requires the ACA to award Water Infrastructure and Commerce Grant Fund (Grant Fund) monies to eligible entities for projects beginning after January 1, 2023, rather than after January 1, 2022.
11. Requires the ACA to allocate and distribute monies from the Grant Fund by December 31, 2025, rather than by December 31, 2024.
12. Applies the Grant Fund award requirements retroactive to January 1, 2023.

Microbusiness Loan Program and Fund

13. Establishes the Microbusiness Loan Fund (Loan Fund), administered by the Office of Economic Opportunity (OEO), and consisting of legislative appropriations.
14. Stipulates that Loan Fund monies are continuously appropriated and exempt from lapsing.
15. Requires the OEO, in FY 2024, to use monies in the Loan Fund for the Microbusiness Loan Program (Program).
16. Requires the OEO to establish the Program to provide funding to eligible entities that provide loans to microbusinesses in Arizona.
17. Requires the OEO to publicly list and solicit program applications for the participation and funding of eligible entities.

18. Requires an eligible entity, in FY 2024, to satisfy the following criteria to receive funding from the Program:
 - a) have expertise in microbusiness loan application and evaluating microbusiness creditworthiness;
 - b) establish an administrative system to monitor the provided microbusiness loans;
 - c) evaluate whether a proposed microbusiness loan will generate economic development and jobs within Arizona; and
 - d) refer all microbusiness loan recipients to a local organization or nonprofit organization that provides professional financial education.
19. Allows a microbusiness loan provided by an eligible entity in accordance with the Program to be used for the following:
 - a) operation of the microbusiness, including creation and retention of jobs;
 - b) working capital;
 - c) acquisition or improvement of real property;
 - d) acquisition of machinery and equipment; and
 - e) refinancing of debt obligations.
20. Requires the OEO to market and advertise the Program to microbusinesses that are unable to access traditional funding sources and offer information on other similar programs.
21. Allows the OEO to use up to 1 percent of the monies in the Loan Fund for the purposes of marketing and advertising the Program.
22. Applies the following requirements for each loan disbursed by an eligible entity using monies from the Program:
 - a) the principal amount of an individual loan may not exceed \$50,000;
 - b) Program monies may not be used for more than 25 percent of the principal amount of the loan, but the OEO may set a higher cap by rule; and
 - c) any principal and interest amounts repaid on Program monies must be used for additional microbusiness loans in accordance with the Program requirements.
23. Requires an eligible entity that participates in the Program to certify with the OEO that a loan to a microbusiness complies with Program requirements.
24. Allows an eligible entity that participates in the Program to charge application, commitment and loan guarantee fees as established by the eligible entity's management.
25. Prohibits fees charged by eligible entities from exceeding the following:
 - a) \$500 for loans with a principal amount of less than \$25,000; or
 - b) 2 percent of the total loan principal for loans with a principal amount of \$25,000 or more.
26. Requires the OEO, by February 1, 2024, to submit a report to the Governor, the President of the Senate, the Speaker of the House of Representatives, JLBC, OSPB and the Secretary of State on:
 - a) the number of microfinance lenders in Arizona;
 - b) the availability of microbusiness credit in Arizona; and
 - c) any recommendations for increasing the availability of credit to microbusinesses in Arizona.

27. Require the OEO, by July 31, 2024, to submit a report to the Governor, the President of the Senate, the Speaker of the House of Representatives, JLBC and the Secretary of State that contains the following:
 - a) a list of the eligible entities that have received funding from the Program;
 - b) the number of microbusiness loans made by each eligible entity using monies from the Program and the type of business each loan recipient operates;
 - c) the average principal amount of microbusiness loans made by each eligible entity using monies from the Program;
 - d) the county and zip code of each eligible entity;
 - e) the county and zip code of the recipients of each loan made to an eligible entity with monies from the Program;
 - f) the current outstanding principal of microbusiness loans made by eligible entities using Program monies;
 - g) the total amount of loan losses for microbusiness loans made by eligible entities using Program monies;
 - h) the total amount of principal repaid to eligible entities for microbusiness loans made in accordance with Program requirements; and
 - i) the total amount of interest earned and fees charged by eligible entities for microbusiness loans made in accordance with Program requirements.
28. Prohibits the OEO from allocating more than \$2,000,000 of the monies deposited into the Loan Fund to an eligible entity.
29. Requires the OEO to allocate Program funds so that there is a participating eligible entity from at least two different counties.
30. Defines *community development financial institution* as an entity that is currently certified in accordance with federal regulations.
31. Defines *eligible entity* as a community development financial institution or a nonprofit lender in Arizona with at least two years of lending experience.
32. Defines *microbusiness* as a business that:
 - a) is located in Arizona;
 - b) is independently owned and operated; and
 - c) employs five or fewer people.

Miscellaneous

33. Makes technical changes.
34. Becomes effective on the general effective date, with a retroactive provision as noted.