



Bill Number: S.B. 1738
Kavanagh Floor Amendment
Reference to: printed bill
Amendment drafted by: Leg. Council

FLOOR AMENDMENT EXPLANATION

- 1. Removes the establishment of the Office of Defense Innovation.**
- 2. Makes conforming changes.**

KAVANAGH FLOOR AMENDMENT
SENATE AMENDMENTS TO S.B. 1738
(Reference to printed bill)

Amendment instruction key:
[GREEN UNDERLINING IN BRACKETS] indicates text added to statute or previously enacted session law.
[Green underlining in brackets] indicates text added to new session law or text restoring existing law.
[GREEN STRIKEOUT IN BRACKETS] indicates new text removed from statute or previously enacted session law.
[Green strikethrough in brackets] indicates text removed from existing statute, previously enacted session law or new session law.
<<Green carets>> indicate a section added to the bill.
<<Green strikethrough in carets>> indicates a section removed from the bill.

1 The bill as proposed to be amended is reprinted as follows:

2 <<Section 1. Title 41, chapter 10, Arizona Revised Statutes, is
3 amended by adding article 7, to read:

4 ARTICLE 7. OFFICE OF DEFENSE INNOVATION

5 41-1561. Office of defense innovation; duties; annual report

6 A. THE OFFICE OF DEFENSE INNOVATION IS ESTABLISHED WITHIN THE
7 AUTHORITY:

8 B. THE OFFICE SHALL:

9 1. ACT AS A LIAISON BETWEEN THIS STATE, THE UNITED STATES
10 DEPARTMENT OF DEFENSE AND NATIONAL SECURITY ORGANIZATIONS, INCLUDING
11 FEDERAL AND STATE AGENCIES AND LAW ENFORCEMENT AND INDUSTRIES THAT SUPPORT
12 THE PURPOSES IN THIS SUBSECTION:

13 2. IDENTIFY AND PURSUE, AS APPROPRIATE, OPPORTUNITIES TO INCREASE
14 THE AMOUNT OF FEDERAL FUNDING TO FOSTER THE DEVELOPMENT OF PRODUCTS,
15 SERVICES AND TECHNOLOGIES THAT SUPPORT THE UNITED STATES DEPARTMENT OF
16 DEFENSE IN THIS STATE:

17 3. SUPPORT ANY ONGOING UNITED STATES DEPARTMENT OF DEFENSE MISSION
18 THAT IS DIRECTED AT THIS STATE:

19 4. SUPPORT ARIZONA-BASED COMPANIES THAT SEEK FEDERAL DEFENSE
20 CONTRACTS:

21 5. ADVOCATE FOR ARIZONA'S ECONOMIC INTERESTS THAT ARE RELATED TO
22 THE UNITED STATES DEPARTMENT OF DEFENSE'S AEROSPACE MISSION AND DEFENSE
23 SECTORS AND INDUSTRIES:

24 6. DEVELOP AND IMPLEMENT A REOCCURRING STRATEGIC PLAN TO ENHANCE
25 ARIZONA'S COMPETITIVENESS IN DEFENSE-RELATED INDUSTRIES:

26 7. IDENTIFY AND SUPPORT EMERGING TECHNOLOGY, INCLUDING
27 COMMERCIALIZATION SUPPORT SERVICES TO ACCELERATE TECHNOLOGY DEVELOPMENT:

1 ~~8. COLLABORATE WITH THE ARIZONA BOARD OF REGENTS AND UNIVERSITIES~~
2 ~~AND RESEARCH INSTITUTIONS THAT SEEK TO INCREASE THE AMOUNT OF DEFENSE~~
3 ~~RESEARCH AND DEVELOPMENT FUNDING FOR APPLIED RESEARCH AND ADVANCE~~
4 ~~PROTOTYPING OF CRITICAL DEFENSE-RELATED PRODUCTS AND TECHNOLOGIES; SUPPORT~~
5 ~~RAPID TECHNOLOGY TRANSFER AND TRANSITION CAPABILITIES.~~

6 ~~9. COLLABORATE TO ENHANCE WORKFORCE DEVELOPMENT THAT PREPARES~~
7 ~~INNOVATORS AND INTRAPRENEURS TO SUPPORT INDUSTRIES OF THE FUTURE.~~

8 ~~10. COORDINATE WITH THE GOVERNOR AND THE LEGISLATURE ON THE~~
9 ~~OFFICE'S ACTIVITIES, ACHIEVEMENTS AND RECOMMENDATIONS.~~

10 ~~C. ON OR BEFORE DECEMBER 31, 2026 AND EACH YEAR THEREAFTER, THE~~
11 ~~OFFICE SHALL SUBMIT A REPORT REGARDING THE ACTIVITIES AND RECOMMENDATIONS~~
12 ~~TO THE GOVERNOR, THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE~~
13 ~~OF REPRESENTATIVES AND SHALL PROVIDE A COPY OF THE REPORT TO THE SECRETARY~~
14 ~~OF STATE.>>~~

15 Section 1. Laws 2023, chapter 136, section 4, as amended by Laws
16 2024, chapter 212, section 6, is amended to read:

17 Sec. 4. Microbusiness loan program; fund; eligible entities;
18 report; delayed repeal; transfer of monies;
19 definitions

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

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

30 C. The office of economic opportunity shall publicly list and
31 solicit program applications for the participation and funding of eligible
32 entities.

33 D. To receive funding from the program, an eligible entity must
34 satisfy the following criteria:

35 1. Have expertise in microbusiness loan applications and evaluating
36 microbusiness creditworthiness.

37 2. Establish an administrative system to monitor the microbusiness
38 loans provided pursuant to this section.

39 3. Evaluate whether a proposed microbusiness loan will generate
40 economic development and jobs within this state.

41 4. Refer all microbusiness loan recipients to a local organization
42 or nonprofit organization that provides professional financial education.

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

45 1. Operation of the microbusiness, including creation and retention
46 of jobs.

47 2. Working capital.

48 3. Acquisition or improvement of real property.

1 4. Acquisition of machinery and equipment.

2 5. Refinancing of debt obligations.

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

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

10 1. The principal amount of an individual loan may not exceed
11 \$50,000.

12 2. Program monies may not be used for more than twenty-five percent
13 of the principal amount of the loan, but the office of economic
14 opportunity may set a higher cap by rule.

15 3. Any principal and interest amounts repaid on program monies
16 shall be used only for additional microbusiness loans pursuant to this
17 section.

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

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

25 1. \$500 for loans with a principal amount less than \$25,000.

26 2. Two percent of the total loan principal for loans with a
27 principal amount of \$25,000 or more.

28 J. On or before February 1, ~~2024~~ 2026, the office of economic
29 opportunity shall submit a report on the number of microfinance lenders in
30 this state, the availability of microbusiness credit in this state and any
31 recommendations for increasing the availability of credit to
32 microbusinesses in this state to the governor, the president of the
33 senate, the speaker of the house of representatives, the joint legislative
34 budget committee and the governor's office of strategic planning and
35 budgeting and shall provide a copy of the report to the secretary of
36 state.

37 K. On or before July 31, ~~2024~~ 2026, the office of economic
38 opportunity shall submit a report to the governor, the president of the
39 senate, the speaker of the house of representatives and the joint
40 legislative budget committee and provide a copy of the report to the
41 secretary of state that contains all of the following:

42 1. A list of the eligible entities that have received funding from
43 the program.

44 2. The number of microbusiness loans made by each eligible entity
45 using monies from the program and the type of business each loan recipient
46 operates.

47 3. The average principal amount of microbusiness loans made by each
48 eligible entity using monies from the program.

1 4. The county and zip code of each eligible entity.
2 5. The county and zip code of the recipients of each loan made to
3 an eligible entity with monies from the program.
4 6. The current outstanding principal of microbusiness loans made by
5 eligible entities using program monies.
6 7. The total amount of loan losses for microbusiness loans made by
7 eligible entities using program monies.
8 8. The total amount of principal repaid to eligible entities for
9 microbusiness loans made pursuant to this section.
10 9. The total amount of interest earned and fees charged by eligible
11 entities for microbusiness loans made pursuant to this section.
12 L. The office of economic opportunity may not allocate more than
13 \$2,000,000 of the monies deposited into the fund to an eligible entity.
14 The office of economic opportunity shall allocate program funds so that
15 there is a participating eligible entity from at least two different
16 counties.
17 M. From and after June 30, ~~2025~~ 2027, this section is repealed, and
18 all unexpended and unencumbered monies in the microbusiness loan fund
19 established by this section are transferred to the state general fund.
20 N. For the purposes of this section:
21 1. "Community development financial institution" means an entity
22 that is currently certified pursuant to 12 Code of Federal Regulations
23 section 1805.201.
24 2. "Eligible entity" means a community development financial
25 institution or a nonprofit lender in this state with at least two years of
26 lending experience.
27 3. "Microbusiness" means a business that is located in this state,
28 that is independently owned and operated and that employs five or fewer
29 people.
30 Sec. 2. Retroactivity
31 Laws 2023, chapter 136, section 4, as amended by Laws 2024, chapter
32 212, section 6 and this act, applies retroactively to from and after June
33 29, 2025.

34 Enroll and engross to conform
35 Amend title to conform

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