

Senate Engrossed

2025-2026; commerce

State of Arizona
Senate
Fifty-seventh Legislature
First Regular Session
2025

SENATE BILL 1738

AN ACT

AMENDING LAWS 2023, CHAPTER 136, SECTION 4, AS AMENDED BY LAWS 2024,
CHAPTER 212, SECTION 6; RELATING TO COMMERCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Laws 2023, chapter 136, section 4, as amended by Laws
3 2024, chapter 212, section 6, is amended to read:

4 Sec. 4. Microbusiness loan program; fund; eligible entities;
5 report; delayed repeal; transfer of monies;
6 definitions

7 A. The microbusiness loan fund is established consisting of
8 legislative appropriations. The office of economic opportunity shall
9 administer the fund. Monies in the fund are continuously appropriated and
10 are exempt from the provisions of section 35-190, Arizona Revised
11 Statutes, relating to lapsing of appropriations. The office of economic
12 opportunity shall use the monies in the fund for the microbusiness loan
13 program.

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

17 C. The office of economic opportunity shall publicly list and
18 solicit program applications for the participation and funding of eligible
19 entities.

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

22 1. Have expertise in microbusiness loan applications and evaluating
23 microbusiness creditworthiness.

24 2. Establish an administrative system to monitor the microbusiness
25 loans provided pursuant to this section.

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

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

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

32 1. Operation of the microbusiness, including creation and retention
33 of jobs.

34 2. Working capital.

35 3. Acquisition or improvement of real property.

36 4. Acquisition of machinery and equipment.

37 5. Refinancing of debt obligations.

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

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

1 1. The principal amount of an individual loan may not exceed
2 \$50,000.

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

6 3. Any principal and interest amounts repaid on program monies
7 shall be used only for additional microbusiness loans pursuant to this
8 section.

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

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

16 1. \$500 for loans with a principal amount less than \$25,000.

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

19 J. On or before February 1, ~~2024~~ 2026, the office of economic
20 opportunity shall submit a report on the number of microfinance lenders in
21 this state, the availability of microbusiness credit in this state and any
22 recommendations for increasing the availability of credit to
23 microbusinesses in this state to the governor, the president of the
24 senate, the speaker of the house of representatives, the joint legislative
25 budget committee and the governor's office of strategic planning and
26 budgeting and shall provide a copy of the report to the secretary of
27 state.

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

33 1. A list of the eligible entities that have received funding from
34 the program.

35 2. The number of microbusiness loans made by each eligible entity
36 using monies from the program and the type of business each loan recipient
37 operates.

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

40 4. The county and zip code of each eligible entity.

41 5. The county and zip code of the recipients of each loan made to
42 an eligible entity with monies from the program.

43 6. The current outstanding principal of microbusiness loans made by
44 eligible entities using program monies.

1 7. The total amount of loan losses for microbusiness loans made by
2 eligible entities using program monies.

3 8. The total amount of principal repaid to eligible entities for
4 microbusiness loans made pursuant to this section.

5 9. The total amount of interest earned and fees charged by eligible
6 entities for microbusiness loans made pursuant to this section.

7 L. The office of economic opportunity may not allocate more than
8 \$2,000,000 of the monies deposited into the fund to an eligible entity.
9 The office of economic opportunity shall allocate program funds so that
10 there is a participating eligible entity from at least two different
11 counties.

12 M. From and after June 30, ~~2025~~ 2027, this section is repealed, and
13 all unexpended and unencumbered monies in the microbusiness loan fund
14 established by this section are transferred to the state general fund.

15 N. For the purposes of this section:

16 1. "Community development financial institution" means an entity
17 that is currently certified pursuant to 12 Code of Federal Regulations
18 section 1805.201.

19 2. "Eligible entity" means a community development financial
20 institution or a nonprofit lender in this state with at least two years of
21 lending experience.

22 3. "Microbusiness" means a business that is located in this state,
23 that is independently owned and operated and that employs five or fewer
24 people.

25 Sec. 2. Retroactivity

26 Laws 2023, chapter 136, section 4, as amended by Laws 2024, chapter
27 212, section 6 and this act, applies retroactively to from and after June
28 29, 2025.