House Engrossed Senate Bill

2025-2026; commerce

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

CHAPTER 236

SENATE BILL 1738

AN ACT

AMENDING TITLE 41, CHAPTER 10, ARIZONA REVISED STATUTES, BY ADDING ARTICLE 7; 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)

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

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

ARTICLE 7. OFFICE OF DEFENSE INNOVATION

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

A. THE OFFICE OF DEFENSE INNOVATION IS ESTABLISHED WITHIN THE AUTHORITY.

B. THE OFFICE MAY:

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

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

3. SUPPORT ANY ONGOING UNITED STATES DEPARTMENT OF DEFENSE INDUSTRY DEVELOPMENT MISSION THAT IS DIRECTED AT THIS STATE.

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

5. ADVANCE ARIZONA'S ECONOMIC INTERESTS THAT ARE RELATED TO THE UNITED STATES DEPARTMENT OF DEFENSE'S AEROSPACE MISSION AND DEFENSE SECTORS AND INDUSTRIES.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Working capital.

3. Acquisition or improvement of real property.

4. Acquisition of machinery and equipment.

5. Refinancing of debt obligations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

N. For the purposes of this section:

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

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

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

Sec. 3. Retroactivity

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

APPROVED BY THE GOVERNOR JUNE 27, 2025.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JUNE 27, 2025.