

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

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HOUSE BILL 814\*

Short Title: Small Business Assistance Fund. (Public)

Sponsors: Representatives Crawford; Dockham, Faison, Lucas, Moore, Randleman, Stewart, Tarleton, R. Warren, Williams, and Wray.

Referred to: Commerce, Small Business, and Entrepreneurship, if favorable, Finance, if favorable, Appropriations.

March 30, 2009

A BILL TO BE ENTITLED

AN ACT TO ENACT THE SMALL BUSINESS ASSISTANCE ACT OF 2009 AND TO ESTABLISH THE SMALL BUSINESS JOBS PRESERVATION FUND IN THE OFFICE OF STATE BUDGET AND MANAGEMENT WITH RELATED PROGRAMS COORDINATED BY A TECHNICAL ASSISTANCE PROVIDER.

Whereas, North Carolina has historically provided assistance to small businesses after natural disasters; and

Whereas, North Carolina and the State's small businesses face an economic disaster of historic proportions; and

Whereas, unemployment approaches 15 percent in many North Carolina counties and may ultimately exceed 10 percent for the entire State; and

Whereas, small business accounts for more than half of all North Carolina jobs and more than 98 percent of its businesses; and

Whereas, small business has been especially hard hit by the global downturn and resulting shortage of available credit; and

Whereas, this shortage of credit has caused businesses to be closed in record numbers across North Carolina and rendered thousands more North Carolinians jobless every month; Now, therefore,

The General Assembly of North Carolina enacts:

**SECTION 1.** Part 2I of Article 10 of Chapter 143B of the General Statutes reads as rewritten:

"Part 2I. ~~One~~ North Carolina Small Business ~~Program~~ Assistance.

Subpart A. One North Carolina Small Business Program."

**SECTION 2.** Part 2I of Article 10 of Chapter 143B of the General Statutes is amended by adding a new subpart to read:

"Subpart B. Small Business Assistance Fund.

**§ 143B-437.89. Establishment of fund; use of moneys; application for moneys from the fund; disbursal; repayment; inspections; rules; reports.**

(a) Fund Established. – A revolving, special revenue fund to be known as the Small Business Jobs Preservation and Emergency Assistance Fund is established in the Office of State Budget and Management. This Fund shall be administered by a technical assistance provider. The technical assistance provider shall be responsible for receipt and disbursement of all moneys as provided in this section. Interest earnings shall be credited to the Fund. The Fund consists of revenue resulting from funds appropriated by the State, repayments of principal of and interest on loans, fees, and other amounts received by the technical assistance provider with



1 respect to financial assistance provided by the technical assistance provider, and any other  
2 public or private funds made available to the Fund.

3 (b) Small Business Assistance Commission. – The Small Business Assistance  
4 Commission is established.

5 (1) The Commission consists of the members specified in this subdivision:

6 a. Reserved for future codification purposes.

7 b. Reserved for future codification purposes.

8 c. Reserved for future codification purposes.

9 d. Reserved for future codification purposes.

10 e. Reserved for future codification purposes.

11 (2) It is unlawful for a current or former member of the Commission to, while  
12 serving on the Commission or within two years after the end of service on  
13 the Commission, provide services for compensation, as an employee,  
14 consultant, or otherwise, to any business or a related member of the business  
15 that is awarded a grant under this section while the member is serving on the  
16 Commission. Violation of this subsection is a Class 1 misdemeanor. In  
17 addition to the penalties imposed under G.S. 15A-1340.23, the court shall  
18 also make a finding as to what compensation was received by the defendant  
19 for services in violation of this subsection and shall order the defendant to  
20 forfeit that compensation. If a person is convicted under this subsection, the  
21 person shall not provide services for compensation, as an employee,  
22 consultant, or otherwise, to any business or a related member of the business  
23 that was awarded a grant under this section while the member was serving  
24 on the Commission until two years after the person's conviction under this  
25 subsection.

26 (3) At least 20 days before the effective date of any criteria or nontechnical  
27 amendments to criteria, the Commission must publish the proposed criteria  
28 on the Office of Budget and State Management's Web site and provide  
29 notice to persons who have requested notice of proposed criteria. In addition,  
30 the Commission must accept oral and written comments on the proposed  
31 criteria during the 15 business days beginning on the first day that the  
32 Commission has completed these notifications. For the purpose of this  
33 subsection, a technical amendment is either of the following:

34 a. An amendment that corrects a spelling or grammatical error.

35 b. An amendment that makes a clarification based on public comment  
36 and could have been anticipated by the public notice that  
37 immediately preceded the public comment.

38 (4) Meetings of the Commission are subject to the open meetings requirements  
39 of Article 33C of Chapter 143 of the General Statutes. All documents of the  
40 Commission, including applications for grants, are public records governed  
41 by Chapter 132 of the General Statutes and any applicable provisions of the  
42 General Statutes protecting confidential information.

43 (c) Technical Assistance Provider Authority; Loan Terms. – The technical assistance  
44 provider may approve for disbursements of moneys in the Fund to small businesses in  
45 accordance with the provisions of this section. The technical assistance provider, in  
46 consultation with the Small Business Assistance Commission, shall develop criteria, technical  
47 specifications, policies, and procedures to be used in determining whether the conditions of this  
48 section are satisfied and whether the activities described in the application are otherwise  
49 consistent with the purposes of this section. As used in this section, "moneys" means a  
50 disbursement from the Fund in the form of a loan, and "small business" means a business  
51 whose annual receipts and number of full-time employees, combined with the annual receipts

1 and full-time employees of all related persons, did not exceed one million dollars (\$1,000,000)  
2 or 100 full-time employees. A small business may apply for a loan for:

- 3 (1) Up to X percent (X%) of the projected cost of the proposed activities,  
4 subject to repayment within X years at X percent (X%) interest.
- 5 (2) Up to X percent (X%) of the projected cost of the proposed activities,  
6 subject to repayment within X years at X percent (X%) interest.
- 7 (3) Up to X percent (X%) of the projected cost of the proposed activities,  
8 subject to repayment within X years at X percent (X%) interest.

9 (d) Eligible Purposes. – Moneys in the Fund shall be used for any of the following  
10 eligible purposes:

- 11 (1) To guarantee commercial loans.
- 12 (2) To finance bonds to allow small business to better leverage federal stimulus  
13 dollars.
- 14 (3) To provide emergency bridge loans where clear and apparent ability to repay  
15 has been established but credit remains unavailable.
- 16 (4) To lend for other purposes related to small business job preservation as  
17 approved or recommended by the Small Business Assistance Commission.

18 (e) Application. – Any small business may apply for moneys from the Fund by  
19 submitting an application to the Small Business and Technology Development technical  
20 assistance provider. The application shall list each of the following:

- 21 (1) The proposed activities for which the moneys are to be used.
- 22 (2) The amount of moneys requested for these activities.
- 23 (3) Projections of the dollar amount of private investment that is expected to  
24 occur as a direct result of the proposed activities.
- 25 (4) An explanation of the nature of the private investment that will result from  
26 the proposed activities.
- 27 (5) A requirement for any reports, disclosures, or information required by this  
28 section or necessary for the technical assistance provider to fulfill its duties  
29 under this section.
- 30 (6) The total compensation received for the previous year from the small  
31 business and all related persons for each of the five highest-compensated  
32 employees of the small business.
- 33 (7) Any additional or supplemental information required by the technical  
34 assistance provider upon written request.

35 (f) Determination. – The technical assistance provider shall review an application  
36 submitted by a small business, determine whether the activities listed in the application are  
37 activities that are eligible for moneys from the Fund, and determine which applicants are  
38 selected to receive moneys from the Fund. A small business whose application is denied may  
39 file a new or amended application.

40 (g) Limitation. – A small business that is selected may not receive moneys from the  
41 Fund pursuant to this section with an aggregate total of more than thirty-five thousand dollars  
42 (\$35,000).

43 (h) Disbursements of Moneys. – The technical assistance provider shall not disburse  
44 moneys for any loans until the small business has confirmed a method of repayment for the  
45 loan. The terms for repayment established for a given loan shall apply through the period of  
46 that loan. The technical assistance provider shall establish an account in the amount of the  
47 moneys disbursed for each small business that is selected. Moneys shall be disbursed as  
48 expended through warrants drawn on the Office of State Budget and Management. A small  
49 business that has been selected to receive moneys shall use the full amount of the moneys for  
50 the activities that were approved pursuant to subsection (d) of this section. Moneys are deemed  
51 used if the small business is legally committed to spend the moneys on the approved activities.

1 For purposes of this section, approved activities do not include an increase in the total  
2 compensation of any employee identified in the application under subdivision (e)(6) of this  
3 section. A small business shall lose any moneys that have not been used within three years of  
4 being selected. These unused moneys shall be credited to the Fund. A small business that loses  
5 moneys pursuant to this subsection may file a new application. Any moneys repaid or credited  
6 to the Fund pursuant to this subsection shall be available to other applicants as long as the Fund  
7 exists.

8 (i) Cost Report. – After activities financed in whole or in part pursuant to this section  
9 have been completed, the small business shall report the actual cost of the project to the Office  
10 of State Budget and Management. If the actual cost of the activities exceed the projected cost  
11 upon which the moneys were based, the small business may submit an application to the  
12 technical assistance provider for additional moneys for the difference. If the actual cost of the  
13 activities are less than the projected cost, the small business shall arrange to pay the difference  
14 to the Fund according to terms set by the technical assistance provider.

15 (j) Inspection. – Inspection of a project for which moneys have been awarded may be  
16 performed by personnel of the technical assistance provider. No person may be approved to  
17 perform inspections who is an officer or employee of the small business to which the moneys  
18 were disbursed or who is an owner, officer, employee, or agent of a contractor or subcontractor  
19 engaged in the activities for which the moneys were disbursed.

20 (k) Administration. – The technical assistance provider may adopt, modify, and repeal  
21 rules establishing the procedures to be followed in the administration of this section and  
22 interpreting and applying the provisions of this section, as provided in the Administrative  
23 Procedure Act.

24 (l) Legislative Reports. – The technical assistance provider shall prepare and file on or  
25 before July 31 of each year with the Joint Legislative Commission on Governmental  
26 Operations a consolidated report for the preceding fiscal year concerning the allocation of  
27 moneys authorized by this section, including a separate listing of the moneys disbursed to  
28 historically underutilized businesses. The report shall set forth for the preceding fiscal year  
29 itemized and total allocations from the Fund. The technical assistance provider shall also  
30 prepare a summary report of all allocations made from the fund for each fiscal year; the total  
31 funds received and allocations made; the total amount of moneys repaid to the Fund, and the  
32 total unallocated funds in the Fund.

33 Small businesses that have been selected to receive moneys from the Fund shall prepare and  
34 file a report that shall include the following information:

- 35 (1) The total amount of private funds that was committed and the amount that  
36 was invested in activities for which moneys from the Fund were made  
37 available during the preceding fiscal year.
- 38 (2) The total amount and character of moneys received from the Fund during the  
39 preceding fiscal year.
- 40 (3) The total amount of moneys repaid to the Fund during the preceding fiscal  
41 year.
- 42 (4) A description of how moneys from the Fund and funds from private  
43 investors were used during the preceding fiscal year.
- 44 (5) Details regarding the types of private investment created or stimulated, the  
45 dates of this activity, the amount of public money involved, and any other  
46 pertinent information, including any jobs created, businesses started, and  
47 number of jobs retained due to the approved activities.

48 **SECTION 3.** Part 20 of Article 10 of Chapter 143B of the General Statutes is  
49 repealed.

1                   **SECTION 4.** There is appropriated from the General Fund to the Small Business  
2 Assistance Fund the amount of X for the 2009-2010 fiscal year to be used for the purposes set  
3 forth in Section 2 of this act.

4                   **SECTION 5.** This act becomes effective July 1, 2009.