

ASSEMBLY BILL

No. 1862

Introduced by Assembly Member Kim

February 10, 2016

An act to amend Section 63089.70 of the Government Code, relating to economic development.

LEGISLATIVE COUNSEL'S DIGEST

AB 1862, as introduced, Kim. Small Business Expansion Fund.

Existing law creates the Small Business Expansion Fund to provide guarantees to loans offered by financial institutions and financial companies to small businesses. Existing law prohibits a corporation from issuing a guarantee pursuant to these provisions unless it makes specified determinations.

This bill would make a technical, nonsubstantive change to these provisions.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 63089.70 of the Government Code is
- 2 amended to read:
- 3 63089.70. (a) The Small Business Expansion Fund, which is
- 4 hereby continued in existence, shall, among other things, provide
- 5 guarantees to loans offered by financial institutions and financial
- 6 companies to small businesses.
- 7 (b) The Legislature finds and declares that the Small Business
- 8 Loan Guarantee Program has enabled participating small businesses

1 that do not qualify for conventional business loans or Small
2 Business Administration loans to secure funds to expand their
3 businesses. These small businesses would not have been able to
4 expand their businesses in the absence of the program. The program
5 has also provided valuable technical assistance to small businesses
6 to ensure growth and stability. The study commissioned by former
7 Section 14069.6 of the Corporations Code, as added by Chapter
8 919 of the Statutes of 1997, documented the return on investment
9 of the program and the need for its services. The value of the
10 program has also been recognized by the Governor through
11 proposals contained in the May Revision to the Budget Act of
12 2000 for the 2000–01 fiscal year.

13 (c) A corporation shall not issue a guarantee ~~under~~ *pursuant to*
14 this section unless it determines that the following conditions are
15 satisfied:

16 (1) There is a low probability that the loan being guaranteed
17 would be granted by a financial company or financial institution
18 under reasonable terms and conditions and the borrower has
19 demonstrated a reasonable prospect of repayment.

20 (2) The loan proceeds will be used exclusively in this state.

21 (3) The loan qualifies as a small business loan or an employment
22 incentive loan.

23 (4) The borrower has a minimum equity interest in the business
24 as determined by the directives and requirements.

25 (5) As a result of the loan being guaranteed, the jobs generated
26 or retained demonstrate reasonable conformance to any directives
27 and requirements specifying employment criteria.