

Introduced by Senator Hertzberg
(Coauthors: Senators Anderson and Wieckowski)
(Coauthors: Assembly Members Dodd and Hadley)

February 2, 2016

An act to amend and repeal Sections 63089.61 and 63089.62 of the Government Code, relating to business.

LEGISLATIVE COUNSEL'S DIGEST

SB 936, as introduced, Hertzberg. California Small Business Expansion Fund: corporate guarantees.

Existing law, the Small Business Financial Assistance Act of 2013, establishes the California Small Business Expansion Fund, a continuously appropriated fund that includes General Fund moneys. The act requires guarantees made by small business financial development corporations to be backed by funds on deposit in the corporation's trust fund account or by receivables due from funds loaned from the corporation's trust fund account to another fund in state government, as specified, and requires these loan guarantees to be secured by a reserve of at least 20%, until January 1, 2018, and 25% thereafter, as specified.

This bill would reduce the required reserve to 10% indefinitely and would make conforming changes with respect to related statements of legislative intent.

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

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

1 SECTION 1. Section 63089.61 of the Government Code, as
2 added by Section 4 of Chapter 537 of the Statutes of 2013, is
3 amended to read:

4 63089.61. (a) The corporate guarantee shall be backed by
5 funds on deposit in the corporation's trust fund account, or by
6 receivables due from funds loaned from the corporation's trust
7 fund account to another fund in state government, as directed by
8 the Department of Finance pursuant to a statute enacted by the
9 Legislature.

10 (b) Loan guarantees shall be secured by a reserve of at least 20
11 10 percent to be determined by the program manager unless a
12 higher leverage ratio for an individual corporation has been
13 approved pursuant to subdivision (b) of Section 63089.56.

14 (c) The expansion fund and trust fund accounts shall be used to
15 guarantee obligations and other financial product obligations, to
16 pay the administrative costs of the corporations, and for other uses
17 pursuant to this chapter and Section 8684.2.

18 ~~(d) This section shall remain in effect only until January 1, 2018,~~
19 ~~and as of that date is repealed, unless a later enacted statute, that~~
20 ~~is enacted before January 1, 2018, deletes or extends that date.~~

21 SEC. 2. Section 63089.61 of the Government Code, as added
22 by Section 4 of Chapter 537 of the Statutes of 2013, is repealed.

23 ~~63089.61. (a) The corporate guarantee shall be backed by~~
24 ~~funds on deposit in the corporation's trust fund account, or by~~
25 ~~receivables due from funds loaned from the corporation's trust~~
26 ~~fund account to another fund in state government, as directed by~~
27 ~~the Department of Finance pursuant to a statute enacted by the~~
28 ~~Legislature.~~

29 ~~(b) Loan guarantees shall be secured by a reserve of at least 25~~
30 ~~percent to be determined by the program manager, unless a higher~~
31 ~~leverage ratio has been approved for an individual corporation~~
32 ~~pursuant to subdivision (b) of Section 63089.56.~~

33 ~~(c) The expansion fund and trust fund accounts shall be used to~~
34 ~~guarantee obligations and other financial product obligations, to~~
35 ~~pay the administrative costs of the corporations, and for other uses~~
36 ~~pursuant to this chapter and Section 8684.2.~~

37 ~~(d) This section shall become operative on January 1, 2018.~~

1 SEC. 3. Section 63089.62 of the Government Code, as added
2 by Section 4 of Chapter 537 of the Statutes of 2013, is amended
3 to read:

4 63089.62. (a) It is the intent of the Legislature that the
5 corporations make maximum use of their statutory authority to
6 guarantee loans and surety bonds, and administer other financial
7 products, including the authority to secure loans with a minimum
8 loan loss reserve of only ~~20~~ 10 percent, unless the program manager
9 authorizes a higher leverage ratio for an individual corporation
10 pursuant to subdivision (b) of Section 63089.56, so that the
11 financing needs of small business may be met as fully as possible
12 within the limits of corporations' trust fund account balance.

13 (b) Any corporation that serves an area declared to be in a state
14 of emergency by the Governor or a disaster area by the President
15 of the United States, the Administrator of the United States Small
16 Business Administration, or the United States Secretary of
17 Agriculture shall increase the portfolio of loan guarantees where
18 the dollar amount of the loan is less than one hundred thousand
19 dollars (\$100,000), so that at least 15 percent of the dollar value
20 of loans guaranteed by the corporation is for those loans. The
21 corporation shall comply with this requirement within one year of
22 the date the emergency or disaster is declared. Upon application
23 of a corporation, the executive director may waive or modify the
24 rule for the corporation if the corporation demonstrates that it made
25 a good faith effort to comply and failed to locate lending
26 institutions in the region that the corporation serves that are willing
27 to make guaranteed loans in that amount.

28 ~~(c) This section shall remain in effect only until January 1, 2018,~~
29 ~~and as of that date is repealed, unless a later enacted statute, that~~
30 ~~is enacted before January 1, 2018, deletes or extends that date.~~

31 SEC. 4. Section 63089.62 of the Government Code, as added
32 by Section 4 of Chapter 537 of the Statutes of 2013, is repealed.

33 ~~63089.62. (a) It is the intent of the Legislature that the~~
34 ~~corporations make maximum use of their statutory authority to~~
35 ~~guarantee loans and surety bonds, and administer other financial~~
36 ~~products, including the authority to secure loans with a minimum~~
37 ~~loan loss reserve of only 20 percent, unless the program manager~~
38 ~~authorizes a higher leverage ratio for an individual corporation~~
39 ~~pursuant to subdivision (b) of Section 63089.56, so that the~~

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