

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Commerce and Tourism

BILL: SB 1580

INTRODUCER: Senator Braynon

SUBJECT: Minority Businesses

DATE: February 11, 2020

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Reeve	McKay	CM	Favorable
2.			ATD	
3.			AP	

I. Summary:

The bill requires the Department of Economic Opportunity (DEO) to establish a revolving loan guarantee program modeled after the revolving loan guarantee program created by an agreement between the DEO and the Urban League of Broward County, Inc. The program is intended to expand the benefits offered under the current loan guarantee program to assist and support minority-owned small businesses in urbanized areas. The bill does not contain an appropriation.

The bill takes effect July 1, 2020.

II. Present Situation:

Urban League of Broward County Revolving Loan Guarantee Program

Specific Appropriation 2256A of the 2014-2015 General Appropriations Act appropriated \$1,500,000 to the Urban League of Broward County, Inc., (League) for the purpose of establishing, administering, and marketing a revolving loan guarantee program (guarantee program) to stimulate access to credit for under-resourced businesses. The DEO was required to contract with the League, whose mission is to promote economic and social equality for African Americans and other disenfranchised minority groups, to administer the grant. The grant agreement was executed on July 1, 2014, and is set to expire on June 30, 2021.

Per the agreement, \$1,000,000 of the grant funds were used to establish a loan loss reserve account (guarantee funds) to guarantee loans. The League is required to raise non-state funds to provide and maintain a four-to-one match for state funds, which are set aside to establish a loan program. The remaining \$500,000 was reserved to administer the guarantee program and market the loan program. The League entered into a sub-grantee agreement with the Urban League of Jacksonville to perform marketing and outreach services for the guarantee program in North Florida.

The contract also required the League to procure the services of a community development organization to underwrite, service, manage, and administer the loan program.

The League may only guarantee loans between \$10,000 and \$1,000,000 and may only guarantee up to 50 percent of any loan portfolio. Only entrepreneurs or small businesses located in Florida with 25 or fewer employees and an average annual gross revenue of \$5 million or less may receive guaranteed loans.

The DEO and the League are subject to auditing and reporting requirements.¹

Black Business Loan Program

The Black Business Loan Program (BBLP) was created in 2007 by the Florida Black Business Investment Act to provide loans, loan guarantees, and investments through loan administrators to black business enterprises that cannot obtain capital through conventional lending institutions but could otherwise compete successfully in the private sector. The DEO is authorized to establish an application and annual certification process for entities seeking to administer loans through the BBLP.²

A black business investment corporation, a corporation that provides loans, loan guarantees, or investments to black business enterprises, that is eligible to receive funds and through the BBLP shall receive priority consideration by the DEO for participation.³

The BBLP was appropriated \$2,250,000 in Fiscal Year 2018-2019. In that year, the two current loan administrators, the Miami Bayside Foundation and the Florida Agricultural and Mechanical University Federal Credit Union, provided 17 loans or loan guarantees totaling \$990,011.⁴

III. Effect of Proposed Changes:

The bill authorizes the DEO to establish a revolving loan guarantee program modeled after the revolving loan guarantee program created by Specific Appropriation 2256A of the 2014-2015 General Appropriations Act. The program is intended to expand the benefits offered under the current program to assist and support minority-owned small businesses in urbanized areas. An urbanized area, per s. 334.03(35), F.S., means a geographic region comprising as a minimum the area inside an urban place of 50,000 or more persons. The DEO shall contract with an organization in the state that is nationally affiliated, has a statewide network in the state, and promotes economic development for minorities to administer the program.

The bill takes effect July 1, 2020.

¹ Florida Department of Economic Opportunity, *Grant Agreement between Department of Economic Opportunity and Urban League of Broward County, Inc.*, available at <https://facts.fldfs.com/Search/ContractDetail.aspx?AgencyId=400000&ContractId=SL010> (last visited Feb. 11, 2020).

² Chapter 2007-157, s. 11, Laws of Fla. (creating s. 288.7102, F.S.)

³ Section 288.7094, F.S.

⁴ Florida Department of Economic Opportunity, *2018-2019 Annual Report (21)*, available at http://floridajobs.org/docs/default-source/communicationsfiles/deo-annual-report-2019.pdf?sfvrsn=bce141b0_4 (last visited Feb. 11, 2020).

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

If funded, the bill could increase access to loan funds for minority-owned small businesses.

C. Government Sector Impact:

The DEO has not yet estimated the bill's impact on its expenditures.

VI. Technical Deficiencies:

None.

VII. Related Issues:

The bill requires the DEO to create a revolving loan guarantee program "modeled after" the 2014 grant agreement between the DEO and the Urban League of Broward County, Inc. Because the bill provides no standards for the operation of the program, those standards will be established not by the Legislature in law but by reference to an agency grant agreement.

The bill requires the DEO to contract with an organization to administer the program. Pursuant to s. 287.057, F.S., agencies must use the competitive solicitation process found in ch. 287, F.S., for the procurement of commodities or contractual services in excess of \$35,000.

VIII. Statutes Affected:

The bill creates section 288.715 of the Florida Statutes.

IX. Additional Information:

A. Committee Substitute – Statement of Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
