



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #285

Rural and Minority Business Economic Development Programs -- Repayments Appropriations (Commerce -- Departmentwide and Economic Development)

CURRENT LAW

The Minority Business Finance (MBF) and Rural Economic Development (RED) programs were created in 1989. Both MBF and RED programs are funded through a biennial general purpose revenue (GPR) and a program revenue (PR) appropriation. Annual base level funding for the MBF program is \$329,200 GPR and \$267,200 PR. Annual base level funding for the RED program is \$656,500 GPR and \$120,100 PR.

GOVERNOR

No provision.

DISCUSSION POINTS

1. The MBF provides the following types of financial assistance:
 - a. Early planning grants to minority group members or minority businesses to fund projects that consist of the preliminary stages of considering and planning the start-up or expansion of a business that will be a minority business.
 - b. Business development grants and loans to minority group members or minority businesses to fund development projects involving the start-up, expansion or acquisition of minority businesses or the promotion of economic development and employment opportunities for minority group members or minority businesses.

c. Grants and loans to local development corporations to: (1) make grants or loans to minority group members or minority businesses for development projects; or (2) to create, expand or continue a revolving loan fund program operated by the local development corporation to provide assistance to minority group members or minority businesses.

d. Grants to nonprofit organizations and private financial institutions to fund microloans and education and training programs for minority group members and minority businesses.

e. Grants to nonprofit corporations, nonprofit organizations or business incubators to build or rehabilitate business incubators that benefit minority group members or minority businesses.

2. The RED provides grants and loans to businesses with fewer than 50 employees that are located in a rural municipality. A rural municipality is: (a) a city, town or village with a population of 6,000 or less; or (b) a municipality located in a county with a population density less than 150 persons per square mile. The RED provides: (a) grants for professional services (early planning grants) to fund professional services related to starting or expanding a business or for continuing management assistance; (b) loans for working capital, fixed asset financing for starting or expanding a business or to fund employee relocation costs; (c) grants for services related to the start-up, modernization or expansion of dairy farms or agricultural businesses or for continuing management assistance; and (d) loans to businesses in low income areas for working capital, purchases of land, buildings, equipment, furniture and inventory, and job training and employee relocation costs.

3. Both the RED and MBF are funded by GPR and program revenue repayments appropriations. The repayments appropriations were established to operate similar to revolving loan funds so that, over time, the amounts received from loan repayments could be used to finance additional loans and reduce the need for GPR funding. The following shows the estimated revenues, base level expenditure authority and projected appropriation balances for the MBF and RED repayments appropriations in each year of the biennium. The table shows that, with the base level expenditure authority and estimated revenues, the 2002-03 year-end appropriation balances in the MBF and RED would be \$465,100 and \$168,900, respectively. However, ongoing expenditure authority exceeds ongoing revenues and the appropriation balances decrease each year. It would be possible to use a portion of the MBF and RED repayments appropriations balances as one-time offsets to GPR funding and still maintain positive appropriation balances. Specifically, GPR funding for the MBF could be reduced by \$300,000 in 2001-02 and PR expenditure authority could be increased by a corresponding amount. Similarly, GPR funding for the RED could be reduced by \$135,000 and PR expenditure authority could be increased by a corresponding amount in 2001-02. This would leave sufficient appropriation balances, along with annual revenues to fully fund base level expenditure authority into the next biennium.

**RED, MBF Projected Program Revenues, Annual Expenditure Authority
and Projected Appropriations Balances
2001-03**

	<u>MBF</u>		<u>RED</u>	
	<u>2001-02</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2002-03</u>
Opening Balance	\$724,700	\$592,500	\$214,400	\$198,700
Revenues	135,000	139,800	104,400	90,300
Expenditure Authority	<u>-267,200</u>	<u>-267,200</u>	<u>-120,100</u>	<u>-120,100</u>
Closing Balance	\$592,500	\$465,100	\$198,700	\$168,900

4. The MBF and RED repayments appropriations are program revenue, continuing appropriations. Dollar amounts shown in the schedule for such appropriations represent the most reliable estimates of the amounts that will be expended. However, expenditures made from such appropriations are generally only limited by the amount of revenues that are available from the appropriation. Consequently, if program revenues are used to offset GPR funding, while estimated expenditures for the 2001-03 biennium would not be affected, the overall amount of funding available for MBF and RED awards would be reduced by the amount of the offset.

ALTERNATIVES TO BASE

1. Reduce GPR funding for the MBF by \$300,000 and increase expenditure authority for the MBF repayments appropriation [20.143(1)(im)] by \$300,000 in 2001-02.

<u>Alternative 1</u>	<u>GPR</u>	<u>PR</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Base)	- \$300,000	\$300,000	\$0
<i>[Change to Bill]</i>	- \$300,000	\$300,000	\$0]

2. Reduce GPR funding for the RED by \$135,000 and increase expenditure authority for the RED repayments appropriation [20.143(1)(ir)] by \$135,000 in 2001-02. (This alternative could be adopted in addition to, or in lieu of, Alternative #1.)

<u>Alternative 2</u>	<u>GPR</u>	<u>PR</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Base)	- \$135,000	\$135,000	\$0
<i>[Change to Bill]</i>	- \$135,000	\$135,000	\$0]

3. Maintain current law.

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