

Amendment No. 159

Senate Amendment to Senate Bill No. 126	(BDR 18-21)
<b>Proposed by:</b> Senate Committee on Revenue and Economic Development	
<b>Amends:</b> Summary: Yes Title: Yes Preamble: No Joint Sponsorship: No Digest: Yes	

ASSEMBLY ACTION			Initial and Date	SENATE ACTION			Initial and Date		
Adopted	<input type="checkbox"/>	Lost	<input type="checkbox"/>	_____	Adopted	<input type="checkbox"/>	Lost	<input type="checkbox"/>	_____
Concurred In	<input type="checkbox"/>	Not	<input type="checkbox"/>	_____	Concurred In	<input type="checkbox"/>	Not	<input type="checkbox"/>	_____
Receded	<input type="checkbox"/>	Not	<input type="checkbox"/>	_____	Receded	<input type="checkbox"/>	Not	<input type="checkbox"/>	_____

EXPLANATION: Matter in (1) *blue bold italics* is new language in the original bill; (2) variations of green bold underlining is language proposed to be added in this amendment; (3) ~~red strikethrough~~ is deleted language in the original bill; (4) ~~purple double strikethrough~~ is language proposed to be deleted in this amendment; (5) orange double underlining is deleted language in the original bill proposed to be retained in this amendment.

BJF



Date: 4/11/2017

S.B. No. 126—Establishes a program to provide loans to certain small businesses owned by minorities and women. (BDR 18-21)





## SENATE BILL NO. 126—SENATOR FORD

PREFILED FEBRUARY 13, 2017

Referred to Committee on Revenue and  
Economic Development

SUMMARY—Establishes a program to provide loans to ~~[certain] small [businesses owned by minorities and women]~~ business enterprises, minority-owned business enterprises, women-owned business enterprises and disadvantaged business enterprises. (BDR 18-21)

FISCAL NOTE: Effect on Local Government: No.  
Effect on the State: Yes.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~[omitted material]~~ is material to be omitted.

AN ACT relating to economic development; requiring the Office of Economic Development to develop and carry out a program to provide loans to ~~the issuance of revenue bonds to fund loans for the expansion of certain small businesses owned by minorities or women;~~ business enterprises, minority-owned business enterprises, women-owned business enterprises and disadvantaged business enterprises; making an appropriation; and providing other matters properly relating thereto.

**Legislative Counsel's Digest:**

The Nevada Constitution contains a provision commonly known as a “gift clause” which restricts the State, under certain circumstances, from donating or loaning the State’s money or credit to any company, association or corporation, except corporations formed for educational or charitable purposes. (Nev. Const. Art. 8, § 9) The State loans its credit in violation of this constitutional provision only when the State acts as a surety or guarantor for the debts of a company, corporation or association. (*Employers Ins. Co. of Nev. v. State Bd. of Exam’rs*, 117 Nev. 249, 258 (2001)) The State does not loan its credit in violation of this constitutional provision when the State issues revenue bonds which are not backed or guaranteed by the State’s general credit or taxing powers but are payable solely from revenues derived from the projects or programs financed by the revenue bonds. (*State ex rel. Brennan v. Bowman*, 89 Nev. 330, 333 (1973))

Additionally, the State does not donate, loan or “gift” its money in violation of this constitutional provision when the State dispenses state funds for a public purpose and the State receives a valuable benefit or fair consideration in exchange for the dispensation of such funds. (*Lawrence v. Clark County*, 127 Nev. 390, 405 (2011)) In most cases, the courts generally will give great weight and due deference to the Legislature’s finding that a particular dispensation of state funds serves a public purpose and the State receives a valuable benefit or fair consideration in exchange for the dispensation. (*Washoe County Water Conserv. Dist. v. Beemer*, 56 Nev. 104, 115 (1935); *Cauble v. Beemer*, 64 Nev. 77, 82-85 (1947); *McLaughlin*

v. *Hous. Auth. of Las Vegas*, 68 Nev. 84, 93 (1951); *State ex rel. Brennan v. Bowman*, 89 Nev. 330, 332-33 (1973); *Lawrence v. Clark County*, 127 Nev. 390, 406 (2011)) For example, the Nevada Supreme Court has held that legislation which promotes economic development and seeks to create, protect or enhance job opportunities “inures to the public benefit” and serves an important public purpose because it assists in “relieving unemployment and maintaining a stable economy.” (*State ex rel. Brennan v. Bowman*, 89 Nev. 330, 333 (1973))

~~[Section 2 of this bill]~~ **This** bill requires the Office of Economic Development ~~to, in consultation with the Director of the Department of Business and Industry,~~ to develop and carry into effect a program under which ~~certain~~ **a business certified as a small business owned by minorities or women, business enterprise, minority-owned business enterprise, woman-owned business enterprise or disadvantaged business enterprise** may obtain ~~loans~~ **a loan** to finance the expansion of ~~their businesses~~ **its business** in this State. **Section 2.5 of this bill establishes the Small Business Enterprise Loan Account in the State General Fund as a revolving loan account which must be administered by the Office and used to fund loans to such business enterprises. Section 3 of this bill requires the Office to establish the program and authorizes the Office, in carrying out the program, to: (1) enter into an agreement with a person who operates a program in this State to provide loans to small business enterprises, minority-owned business enterprises, women-owned business enterprises and disadvantaged business enterprises; and (2) make grants of money from the Account to that person which must be used to make loans or participate with private lending institutions in the making of loans to finance the expansion of such business enterprises. Section 3 further requires the Office to develop : (1) the criteria a business must satisfy to be eligible for a loan; and (2) the procedures for applying for a loan, which must include, without limitation, a requirement to submit an application containing certain information about the applicant’s business and the planned use of the loan.** ~~[Section 3 further requires]~~ **Under section 3,** the Office ~~, or the person with whom the Office has entered into an agreement to carry out the program,~~ **is authorized** to approve a loan if the ~~Office finds that the~~ business satisfies certain criteria **established by the Office** and ~~that~~ the loan will enable the business to acquire the capital equipment necessary to enable the business to expand and hire additional employees. Under **section 3**, if ~~the Office approves a loan, the loan must be made on such terms as the Office finds to be in the best interests of this State, and the Director of the Department of Business and Industry must fund the loan from the proceeds of the revenue bonds issued under section 4 of this bill, in accordance with the Office’s instructions.~~

~~Section 4 authorizes the Director to issue or request the issuance of revenue bonds in the manner provided by the State Securities Law. Under section 4, the proceeds of these revenue bonds must be used to pay the costs of the program.]~~ **such a loan is approved: (1) the business receiving the loan must enter into a loan agreement with the Office or the person carrying out the program; (2) the loan must be funded from the Small Business Enterprise Loan Account created by section 2.5; and (3) all payments of principal and interest on the loan must be deposited in the Account.**

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THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN  
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

**Section 1.** 1. The Legislature hereby finds and declares that:

(a) Section 9 of Article 8 of the Nevada Constitution contains a provision commonly known as a “gift clause” which restricts the State under certain circumstances from donating or loaning the State’s money or credit to any company, association or corporation, except corporations formed for educational or charitable purposes.

(b) In *Employers Insurance Company of Nevada v. State Board of Examiners*, 117 Nev. 249, 258 (2001), the Nevada Supreme Court held that the State loans its credit in violation of Section 9 of Article 8 of the Nevada Constitution only when the State acts as a surety or guarantor for the debts of a company, corporation or association.

(c) In *State ex rel. Brennan v. Bowman*, 89 Nev. 330, 333 (1973), the Nevada Supreme Court held that the State does not loan its credit in violation of Section 9 of Article 8 of the Nevada Constitution when the State issues revenue bonds which are not backed or guaranteed by the State's general credit or taxing powers but are payable solely from revenues derived from the projects or programs financed by the revenue bonds.

(d) In *Lawrence v. Clark County*, 127 Nev. 390, 405 (2011), the Nevada Supreme Court held that the State does not donate, loan or "gift" its money in violation of Section 9 of Article 8 of the Nevada Constitution when the State dispenses state funds for a public purpose and the State receives a valuable benefit or fair consideration in exchange for the dispensation of the state funds.

(e) In *McLaughlin v. Housing Authority of the City of Las Vegas*, 68 Nev. 84, 93 (1951), and *Lawrence v. Clark County*, 127 Nev. 390, 399, 406 (2011), the Nevada Supreme Court held that when the Legislature authorizes a state agency to dispense state funds:

(1) The courts will carefully examine whether the Legislature made an informed and appropriate finding that dispensation of the state funds serves a public purpose and the State receives a valuable benefit or fair consideration in exchange for the dispensation;

(2) The courts will give great weight and due deference to the Legislature's finding, and the courts will uphold the Legislature's finding unless it clearly appears to be erroneous and without reasonable foundation; and

(3) The courts will closely examine whether the dispensing state agency reviews all facts, figures and necessary information when making the dispensation, and when the state agency has done so, it will not be second-guessed by the courts.

2. The Legislature hereby further finds and declares that:

(a) In *State ex rel. Brennan v. Bowman*, 89 Nev. 330, 333 (1973), the Nevada Supreme Court held that legislation which promotes economic development and seeks to create, protect or enhance job opportunities "inures to the public benefit" and serves an important public purpose because it assists in "relieving unemployment and maintaining a stable economy."

(b) To promote, develop and maintain a stable economy in this State, it is necessary and essential for the State to incentivize the expansion of small ~~businesses owned by women or members of racial or ethnic minorities,~~ business enterprises, minority-owned business enterprises, women-owned business enterprises and disadvantaged business enterprises because in this State:

(1) Such businesses historically have lacked access to sufficient capital to enable the businesses to make the capital investments necessary to expand and hire additional employees; and

(2) Such businesses are more likely to employ greater numbers of women, ~~for~~ members of racial or ethnic minorities and other residents of this State, including persons who are socially and economically disadvantaged, and therefore relieve unemployment in many segments of the population of this State that traditionally have experienced the highest rates of unemployment and underemployment.

3. The Legislature hereby further finds and declares that:

(a) The purpose of this act is to develop and carry into effect a state program under which ~~disadvantaged~~ small ~~businesses,~~ business enterprises, minority-owned business enterprises, women-owned business enterprises and disadvantaged business enterprises located in this State may obtain loans from the program to finance the expansion of such ~~small businesses,~~ business enterprises.

(b) The provisions of this act are intended to serve an important public purpose and ensure that the State receives valuable benefits and fair consideration in exchange for each loan from the program because:

(1) The program requires the dispensing state agency to review all facts, figures and necessary information when making each loan from the program; and

(2) The loans from the program will diversify and expand the number and types of businesses in this State, will increase employment opportunities for women ~~and~~ members of racial or ethnic minorities and other residents of this State, including persons who are socially and economically disadvantaged, in many segments of the population of this State that traditionally have experienced the highest rates of unemployment and underemployment, and will benefit the overall public health, safety and welfare of the people of this State by relieving unemployment, encouraging economic growth and maintaining a stable economy.

Sec. 2. Chapter 231 of NRS is hereby amended by adding thereto the provisions set forth as sections 2.5, 3 and 4 of this act.

Sec. 2.5. 1. The Small Business Enterprise Loan Account is hereby created in the State General Fund as a revolving loan account. The Account must be administered by the Office.

2. All interest and income earned on the money in the Account must be credited to the Account.

3. The money in the Account does not revert to the State General Fund at the end of any fiscal year and must be carried forward to the next fiscal year.

4. Money in the Account must be used by the Office to develop and carry into effect the program developed by the Office pursuant to section 3 of this act.

5. Claims against the Account must be paid as other claims against the agency are paid.

6. The Office may apply for and accept gifts, grants, bequests and donations from any source for deposit in the Account.

Sec. 3. 1. The Office ~~is~~, in consultation with the Director of the Department of Business and Industry, shall develop and carry into effect a program under which a ~~disadvantaged~~ business located in this State that is certified by an agency or entity approved by the Office as a small business enterprise ~~located in this State~~, minority-owned business enterprise, woman-owned business enterprise or disadvantaged business enterprise may obtain a loan of money distributed from the ~~program~~ Account to finance the expansion of its business.

2. In carrying out the program, the Office may :

(a) Enter into an agreement with a person who operates a program in this State to provide loans to small business enterprises, minority-owned business enterprises, women-owned business enterprises and disadvantaged business enterprises.

(b) Make grants of money from the Account to that person, which must be used by that person to make loans ~~is~~, undertake a commitment to make loans or participate with private lending institutions in the making of loans to finance the expansion of a ~~disadvantaged~~ business located in this State that is certified by an agency or entity approved by the Office as a small business enterprise ~~is~~, minority-owned business enterprise, woman-owned business enterprise or disadvantaged business enterprise.

3. ~~In determining whether the making of a loan to an applicant is in the best interests of this State pursuant to this section,~~ The Office shall establish the criteria which must be used by the program to determine whether to make a loan to a business described in subsection 1 and the criteria which such a business must meet to qualify for a loan under the program. In establishing such criteria,

1 the Office shall consider, without limitation, whether the making of the loan will  
2 assist this State to:

3 (a) Diversify and expand the number and types of businesses and industries  
4 in this State ~~it~~;

5 (b) Encourage economic growth and maintain a stable economy ~~it~~;

6 (c) Expand employment opportunities or relieve unemployment or  
7 underemployment in any segments of the population of this State that  
8 traditionally have experienced the highest rates of unemployment and  
9 underemployment ~~it~~; and

10 (d) Encourage the formation and expansion of businesses located in this  
11 State that are certified by an agency or entity approved by the Office as a small  
12 business enterprise, minority-owned business enterprise, woman-owned business  
13 enterprise or disadvantaged business enterprise.

14 4. The Office shall establish procedures for applying for a loan from the  
15 program. The procedures must require an applicant to submit an application for  
16 a loan that includes, without limitation:

17 (a) A statement of the proposed use of the loan;

18 (b) A business plan; and

19 (c) Such other information as the Office deems necessary to determine  
20 whether the making of the loan to the applicant ~~is in the best interests of this~~  
21 ~~State~~ satisfies the criteria established by the Office pursuant to subsection 3 and  
22 whether the applicant is qualified for the loan.

23 5. A business located in this State that is certified by an agency or entity  
24 approved by the Office as a small business enterprise, minority-owned business  
25 enterprise, woman-owned business enterprise or disadvantaged business  
26 enterprise may submit an application for a loan to the Office or the person with  
27 whom the Office has entered into an agreement to carry out the program.

28 6. ~~The Office shall~~, or the person with whom the Office has entered into  
29 an agreement to carry out the program, may approve an application for a loan  
30 submitted pursuant to ~~this section~~ subsection 5 if the Office, or the person  
31 carrying out the program, finds that:

32 (a) ~~The disadvantaged small business enterprise is in existence, operational~~  
33 ~~and operated for profit~~ applicant operates a for-profit business in this State and  
34 has the capability to continue in operation in this State for a period prescribed by  
35 the Office;

36 (b) ~~The disadvantaged small business enterprise~~ applicant maintains its  
37 principal place of business in this State;

38 (c) The applicant is certified by an agency or entity approved by the Office as  
39 a small business enterprise, minority-owned business enterprise, woman-owned  
40 business enterprise or disadvantaged ~~small~~ business enterprise and is in  
41 compliance with all applicable licensing and registration requirements in this  
42 State;

43 (d) The loan will enable the business to acquire the capital equipment  
44 necessary to expand in this State and hire additional employees in this State;

45 (e) There is adequate assurance that the loan will be repaid; and

46 (f) The making of the loan ~~is in the best interests of this State.~~

47 ~~6.~~ satisfies the criteria established by the Office pursuant to subsection 3.

48 7. If the Office, or a person with whom the Office has entered into an  
49 agreement to carry out the program, approves an application for a loan pursuant  
50 to this section:

51 (a) The Office, or the person carrying out the program, and the applicant  
52 must execute a loan agreement that contains such terms as the Office ~~finds to be~~  
53 in the best interests of the State or person deems necessary; and

~~(b) The Director of the Department of Business and Industry must fund the loan from the proceeds of the revenue bonds issued pursuant to section 4 of this act in accordance with the instructions of the Office.~~

~~7.] The Office, or the person carrying out the program, must fund the loan from the money in the Account.~~

~~8. The rate of interest on loans made pursuant to the program must be as low as practicable, but sufficient to pay the cost of the program.], including, without limitation, the repayment of bonds issued pursuant to section 4 of this act, and provide an appropriate reserve, as determined by the Office, in consultation with the Director of the Department of Business and Industry.~~

~~8.] 9. After deducting the costs directly related to administering the program, payments of principal and interest on loans made to a small business enterprise, minority-owned business enterprise, woman-owned business enterprise or disadvantaged business enterprise from money distributed from the Account must be deposited in the State General Fund for credit to the Account.~~

~~10. As used in this section:~~

~~(a) "Disadvantaged small business enterprise" means a small business in this State:~~

~~(1) Of which at least 51 percent is owned by a natural person who is a woman or a member of a racial or ethnic minority; and~~

~~(2) Whose management and daily business operations are controlled by one or more natural persons who are women or members of a racial or ethnic minority.~~

~~(b) "Small business" means a business whose gross receipts do not exceed \$1,000,000 for the year immediately preceding the date of an application for a loan pursuant to this section.], "Account" means the Small Business Enterprise Loan Account created by section 2.5 of this act.~~

~~Sec. 4. [1. To pay the cost of the program created pursuant to section 3 of this act, the Director of the Department of Business and Industry may, in consultation with the Office, borrow money or otherwise become obligated, and may provide evidence of those obligations by issuing or requesting the State Board of Finance to issue revenue bonds in an aggregate principal amount not to exceed \$10,000,000, in the manner provided by the State Securities Law.~~

~~2. Any bonds issued pursuant to this section and administrative expenses related to the bonds are payable solely from revenues pledged or available for their repayment. This limitation must be plainly stated on the face of the bonds.] (Deleted by amendment.)~~

~~Sec. 5. There is hereby appropriated from the State General Fund to the Small Business Enterprise Loan Account created by section 2.5 of this act the sum of \$2,000,000.~~

~~Sec. 6. This act becomes effective on July 1, 2017.~~