

No. 1997-23

## AN ACT

HB 1414

Amending the act of June 29, 1996 (P.L.434, No.67), entitled "An act to enhance job creation and economic development by providing for an annual financing strategy, for opportunity grants, for job creation tax credits, for small business assistance and for the Small Business Advocacy Council; conferring powers and duties on various administrative agencies and authorities; further providing for various funds; and making repeals," establishing the Export Financing Loan Fund and the Family Savings Account Program in the Department of Community and Economic Development to provide financial assistance to small businesses; establishing a special account in the Treasury Department; and providing for special accounts in banks or trust companies.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Section 1301 of the act of June 29, 1996 (P.L.434, No.67), known as the Job Enhancement Act, is amended by adding definitions to read:

Section 1301. Definitions.

The following words and phrases when used in this act shall have the meanings given to them in this section unless the context clearly indicates otherwise:

\* \* \*

*"Ex-Im Bank." The Export-Import Bank of the United States, an independent agency of the Federal Government.*

*"Export activity." An activity undertaken by an enterprise related to exports. The term includes manufacturing, assembling and like operations.*

*"Exports." All goods and services to be exported from the United States.*

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*"Policy." An export credit insurance policy for small business offered by the Export-Import Bank of the United States.*

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Section 2. The act is amended by adding a section to read:

*Section 1311. Export Financing Loan Fund; loans and applications; powers and duties.*

*(a) Establishment.—The Export Financing Loan Fund is hereby established within the Small Business First Fund provided for by section 1302.*

*(b) Source.—The sources of the fund are as follows:*

*(1) Program appropriations.*

*(2) Proceeds from loan repayments.*

(3) *Deposits, payments or contributions from any other source made available to the department for the purposes of this act.*

(c) *Administration.—*

(1) *Money from the fund may be deposited by the department in banks or trust companies in special accounts. The special accounts must be continuously secured by a pledge of direct obligations of the United States or of the Commonwealth having an aggregate market value, exclusive of accrued interest, at least equal to the balance on deposit in the account. The securities shall be deposited with the department to be held by a trustee or agent satisfactory to the department. Banks and trust companies are authorized to give security under this paragraph.*

(2) *Money in accounts under paragraph (1) shall be paid out on order of the department.*

(d) *Loan authorization.—The department may make loans from the fund, subject to this section, for the purpose of making loans to companies involved in exports.*

(e) *Conditions.—A loan must comply with all of the following:*

(1) *Be to a company eligible for a policy.*

(2) *Be guaranteed by the Working Capital Guaranty Program offered by the Ex-Im Bank or be on an export credit sales contract insured by a policy.*

(3) *Be limited to companies that have facilities within this Commonwealth which are involved in export activities.*

(4) *Be based on an export contract that requires payment in United States dollars.*

(5) *Be for the purpose of financing export activity.*

(6) *Be limited to companies with 250 or fewer full-time equivalent employees.*

(f) *Qualification.—A company need not qualify as a small business enterprise as defined in section 1301 or meet any other requirements under this chapter.*

(g) *Restrictions.—Export Financing Loan Fund assistance shall not exceed \$350,000 for any individual project or 50% of the eligible project costs, whichever is less. A loan must not supplant funding which is otherwise available from private sector sources on commercially reasonable terms.*

(h) *Terms.—A loan shall have a term, rate of interest, transaction size and other business conditions that comply with the requirements of the Ex-Im Bank and any other requirements of the department.*

(i) *Application and administration.—Application and administration procedures for fund loans shall be established by the department.*

(j) *Receipt.—The department shall receive applications from eligible companies or from area loan organizations on behalf of eligible companies for export financing loans. Applications shall be made to the department in the form the department prescribes.*

*(k) Review.*—Upon receipt of the application, the department shall review the application and either approve or disapprove the loan application.

*(l) Powers and duties of department.*—In order to administer this section, the Department of Community and Economic Development shall have the following powers and duties:

*(1) To promulgate regulations.*

*(2) To adopt policies, procedures and guidelines.*

*(3) To prescribe forms.*

*(4) To apply to the Ex-Im Bank for delegated authority lender status under the Ex-Im Bank's Working Capital Guaranty Program.*

Section 3. The act is amended by adding a chapter to read:

## **CHAPTER 21 FAMILY SAVINGS ACCOUNT PROGRAM**

### **Section 2101. Definitions.**

*The following words and phrases when used in this chapter shall have the meanings given to them in this section unless the context clearly indicates otherwise:*

*“Account.”* A family savings account at a financial institution or other institution that is approved by the Department of Community and Economic Development and which is maintained by the saver as part of an approved account program for the restricted purpose of providing funds for an eligible use.

*“Approved account program.”* A program approved by the Department of Community and Economic Development and that is operated by a service provider.

*“Approved plan.”* A plan defining savings goals and program requirements, including the anticipated use of both the savings and the match. The plan shall serve as the contract between the saver and the service provider.

*“Education.”* A postsecondary program of instruction provided by a college, university, community college, area vocational-technical school, professional institution or specialized degree-granting college or school legally authorized to grant degrees. The term shall also include a job training or related educational program approved by the Department of Community and Economic Development. The term shall not include a school of theology or theological seminary.

*“Eligible uses.”* Education, purchase of a home, participation in entrepreneurial activity, enrollment of a saver's child in day care to enable the saver to participate in job training, any work-related activity or educational program or other activity based on an approved plan.

*“Entrepreneurial activity.”* Purchase of or investment in a for-profit venture in which the saver will be a principal.

**“Financial institution.”** Any Federal or State-chartered bank, bank and trust company, savings bank, savings and loan association, trust company or credit union.

**“Match.”** An amount equal to 50%, up to \$500 per year, of the amount deposited into an account by a saver during a two-year period.

**“Minimum savings amount.”** An amount established in the approved plan as the minimum amount to be deposited by a saver in order to be eligible for the match.

**“Program.”** The Family Savings Account Program established pursuant to this chapter.

**“Saver.”** An individual or family who resides in this Commonwealth and whose total annual income at the time of enrollment is not more than 200% of the Federal poverty standard and who has applied for enrollment in an approved account program.

**“Service provider.”** A nonprofit institution that encourages and assists local community building and that is certified by the Department of Community and Economic Development for participation in the program. Section 2102. Administration.

(a) **Certification of service providers.**—The department shall certify service providers who shall enroll eligible savers into the program.

(b) **Application process.**—Eligible savers shall apply to a service provider to participate in the program. The service provider shall develop an approved plan with each enrolled saver which specifies a minimum savings amount and how much money the saver intends to contribute to the saver’s family savings account on either a weekly, biweekly or monthly basis up to the two-year period. The application and plan shall be on a form and shall meet such requirements as deemed appropriate by the department.

(c) **Ownership.**—Each enrolled saver shall open an account as defined under this chapter at a financial institution that is certified by the department as qualified to participate in the program for deposit of the saver’s contributions. All moneys in that account, including interest earned thereon, shall belong to the individual saver.

(d) **Grants.**—

(1) The department shall make grants to service providers from funds appropriated for this purpose. The amount and number of grants shall be calculated by the department in such a manner as to ensure payment of the maximum match required for the two-year period for all approved plans for enrolled savers and in such a manner as to not exceed the amount appropriated.

(2) Service providers shall keep all matching grant funds in a separate account at a financial institution approved by the department until the funds are withdrawn or returned to the department according to the provisions of this chapter. The service provider shall use grant proceeds to provide the required match for the accounts of enrolled

*savers who have met all program requirements. Service providers shall be eligible for administrative costs in an amount as determined by the department. Not more than 5% of funds annually appropriated for this program may be used to reimburse service providers for eligible administrative costs. The department may approve the use of interest earnings on grant funds held by service providers as a portion of a service provider's approved administrative costs.*

*(e) Eligibility for match.—An enrolled saver with an approved plan and account monitored by a service provider must fulfill the requirements of the plan for a minimum of 18 months but not more than 24 months. The saver shall present satisfactory evidence to the service provider on a quarterly basis that the savings requirements are being met.*

*(f) Restrictions on withdrawal.—*

*(1) In order to obtain matching funds, the saver must present satisfactory evidence to the service provider that the amount being withdrawn from the saver's family savings account is being used for an eligible use. Withdrawals from a family savings account for an eligible use by a saver shall be made payable to the legal entity which provides the eligible use.*

*(2) Match funds shall be paid by the service provider to the legal entity which provides the eligible use. Match funds shall not be paid to the saver.*

*(3) Match funds which have not been paid for an eligible use within five years after the end of the match period shall be returned to the department for deposit in the State Treasury.*

*(4) A saver who fails to meet the savings goal set forth in the approved plan or who decides to drop out of the program shall terminate his approved plan with the service provider according to procedures determined by the department. Upon the termination of an approved plan between a saver and a service provider, the service provider shall return the amount of match to the department in accordance with the guidelines established by the department, and the saver shall be entitled to withdraw funds within the saver's account for purposes other than provided by this chapter.*

#### **Section 2103. Guidelines.**

*The department shall develop guidelines for the operation of the program, including standards, minimum requirements for approval of plans and reporting requirements for service providers and participating financial institutions.*

Section 4. This act shall take effect July 1, 1997, or immediately, whichever is later.

APPROVED—The 24th day of June, A.D. 1997.

THOMAS J. RIDGE