

**As Introduced**

**130th General Assembly  
Regular Session  
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**H. B. No. 558**

**Representative Pillich**

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**A B I L L**

To amend section 122.011 and to enact sections 1  
5903.21, 5903.22, 5903.23, 5903.24, 5903.25, 2  
5903.26, 5903.27, 5903.28, and 5903.29 of the 3  
Revised Code to establish the Disabled Veterans 4  
Small Business Loan Program. 5

**BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:**

**Section 1.** That section 122.011 be amended and sections 6  
5903.21, 5903.22, 5903.23, 5903.24, 5903.25, 5903.26, 5903.27, 7  
5903.28, and 5903.29 of the Revised Code be enacted to read as 8  
follows: 9

**Sec. 122.011.** (A) The development services agency shall 10  
develop and promote plans and programs designed to assure that 11  
state resources are efficiently used, economic growth is properly 12  
balanced, community growth is developed in an orderly manner, and 13  
local governments are coordinated with each other and the state, 14  
and for such purposes may do all of the following: 15

(1) Serve as a clearinghouse for information, data, and other 16  
materials that may be helpful or necessary to persons or local 17  
governments, as provided in section 122.073 of the Revised Code; 18

(2) Prepare and activate plans for the retention, 19  
development, expansion, and use of the resources and commerce of 20

the state, as provided in section 122.04 of the Revised Code;	21
(3) Assist and cooperate with federal, state, and local governments and agencies of federal, state, and local governments in the coordination of programs to carry out the functions and duties of the agency;	22 23 24 25
(4) Encourage and foster research and development activities, conduct studies related to the solution of community problems, and develop recommendations for administrative or legislative actions, as provided in section 122.03 of the Revised Code;	26 27 28 29
(5) Serve as the economic and community development planning agency, which shall prepare and recommend plans and programs for the orderly growth and development of this state and which shall provide planning assistance, as provided in section 122.06 of the Revised Code;	30 31 32 33 34
(6) Cooperate with and provide technical assistance to state departments, political subdivisions, regional and local planning commissions, tourist associations, councils of government, community development groups, community action agencies, and other appropriate organizations for carrying out the functions and duties of the development services agency or for the solution of community problems;	35 36 37 38 39 40 41
(7) Coordinate the activities of state agencies that have an impact on carrying out the functions and duties of the development services agency;	42 43 44
(8) Encourage and assist the efforts of and cooperate with local governments to develop mutual and cooperative solutions to their common problems that relate to carrying out the purposes of this section;	45 46 47 48
(9) Study existing structure, operations, and financing of regional or local government and those state activities that involve significant relations with regional or local governmental	49 50 51

units, recommend to the governor and to the general assembly such 52  
changes in these provisions and activities as will improve the 53  
operations of regional or local government, and conduct other 54  
studies of legal provisions that affect problems related to 55  
carrying out the purposes of this section; 56

(10) Create and operate a division of community development 57  
to develop and administer programs and activities that are 58  
authorized by federal statute or the Revised Code; 59

(11) Until October 15, 2007, establish fees and charges, in 60  
consultation with the director of agriculture, for purchasing 61  
loans from financial institutions and providing loan guarantees 62  
under the family farm loan program created under sections 901.80 63  
to 901.83 of the Revised Code; 64

(12) Provide loan servicing for the loans purchased and loan 65  
guarantees provided under section 901.80 of the Revised Code as 66  
that section existed prior to October 15, 2007; 67

(13) Until October 15, 2007, and upon approval by the 68  
controlling board under division (A)(3) of section 901.82 of the 69  
Revised Code of the release of money to be used for purchasing a 70  
loan or providing a loan guarantee, request the release of that 71  
money in accordance with division (B) of section 166.03 of the 72  
Revised Code for use for the purposes of the fund created by 73  
section 166.031 of the Revised Code; 74

(14) Allocate that portion of the national recovery zone 75  
economic development bond limitation and that portion of the 76  
national recovery zone facility bond limitation that has been 77  
allocated to the state under section 1400U-1 of the Internal 78  
Revenue Code, 26 U.S.C. 1400U-1. If any county or municipal 79  
corporation waives any portion of an allocation it receives under 80  
division (A)(14) of this section, the agency may reallocate that 81  
amount. Any allocation or reallocation shall be made in accordance 82

with this section and section 1400U-1 of the Internal Revenue Code; 83  
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(15) Create and administer, and as it becomes advisable improve, a disabled veterans small business loan program, in consultation with the director of veterans services, under sections 5903.21 to 5903.29 of the Revised Code to provide assistance to disabled veterans who are establishing or operating small businesses in the state, and thereby to create or preserve jobs and employment opportunities and improve the economic welfare of the people of the state. 85  
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(B) The director of development services may request the attorney general to, and the attorney general, in accordance with section 109.02 of the Revised Code, shall bring a civil action in any court of competent jurisdiction. The director may be sued in the director's official capacity, in connection with this chapter, in accordance with Chapter 2743. of the Revised Code. 93  
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(C) The director shall execute a contract pursuant to section 187.04 of the Revised Code with the nonprofit corporation formed under section 187.01 of the Revised Code, and may execute any additional contracts with the corporation providing for the corporation to assist the director or agency in carrying out any duties of the director or agency under this chapter, under any other provision of the Revised Code dealing with economic development, or under a contract with the director, subject to section 187.04 of the Revised Code. 99  
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Sec. 5903.21. As used in sections 5903.21 to 5903.29 of the Revised Code: 108  
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(A) "Disabled veteran" has the meaning defined in 38 U.S.C. 4211(3). 110  
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(B) "Small business" means a sole proprietorship, a 112

partnership, a corporation, a limited liability company, or other 113  
business entity having fewer than four hundred employees. 114

Sec. 5903.22. An individual is eligible for a loan or loan 115  
guarantee from the disabled veterans small business loan program 116  
if the individual: 117

(A) Is a disabled veteran; 118

(B) Plans to establish a small business in this state, 119  
operates a small business in this state, or owns at least a 120  
fifty-one per cent interest in an existing small business in this 121  
state; 122

(C) Can demonstrate that the small business, whether planned, 123  
operated, or majority-owned, reflects a viable business model; 124

(D) Is unable to finance the small business through ordinary 125  
financial channels at comparable terms; and 126

(E) Has not previously defaulted on a loan or loan guarantee 127  
received from the development services agency. 128

Sec. 5903.23. An individual may apply for a loan or loan 129  
guarantee under the disabled veterans small business loan program 130  
by completing and filing an application with the director of 131  
development services on, and by attachments to, the prescribed 132  
form. The director shall prescribe a form for the application, and 133  
shall design the form so that it elicits facts and documentation 134  
establishing the applicant's eligibility for a loan or loan 135  
guarantee, and includes a space for the applicant to sign and date 136  
the application. By signing and dating the application, the 137  
applicant certifies that the applicant is eligible for a loan or 138  
loan guarantee under the disabled veterans small business loan 139  
program, and if a loan or loan guarantee is received, that the 140  
applicant will use the loan, or loan money that is covered by a 141  
loan guarantee, only to establish or operate a small business in 142

the state, as the case may be. 143

The director shall provide a blank application form to an 144  
individual upon request. The director may enable a blank 145  
application to be downloaded from the development services agency 146  
web site. 147

**Sec. 5903.24.** (A) The director of development services shall 148  
accept a properly completed application for a loan or loan 149  
guarantee under the disabled veterans small business loan program. 150  
The director shall evaluate the application and verify whether the 151  
applicant is eligible for the loan or loan guarantee applied for. 152  
If the applicant is eligible, the director, insofar as funds are 153  
available in the disabled veterans small business loan program 154  
fund, may make a loan or provide a loan guarantee to the 155  
applicant. 156

(B) The director shall neither offer nor agree to a loan or 157  
loan guarantee under the disabled veterans small business loan 158  
program unless: 159

(1) It is consistent with the purpose of the disabled 160  
veterans small business loan program and the recipient's business 161  
model; 162

(2) The amount of the loan or loan guarantee does not exceed 163  
seventy-five per cent of the total amount the recipient proposes 164  
to spend in establishing or operating the small business; and 165

(3) The amount loaned or guaranteed is secured by a first or 166  
second mortgage or other security interest on the small business 167  
or, if it is acceptable to the director, by a first or second 168  
mortgage on, or other security interest in, other property of the 169  
recipient. 170

Except as otherwise provided by law, a first mortgage or 171  
other security interest securing the amount loaned or guaranteed 172

has priority over all other mortgages and security interests in 173  
the small business, but not over a mortgage or other security 174  
interest that was previously made by a financial institution in 175  
connection with the establishment, acquisition, or expansion of 176  
all or part of the small business. Except as otherwise provided by 177  
law, a second mortgage or security interest securing the amount 178  
loaned or guaranteed, including a mortgage securing a loan or 179  
guarantee when the foregoing exception applies, is subordinate to 180  
the first mortgage or security interest in the small business and 181  
has priority over all other mortgages or security interests. 182

(C) The director shall enter into a contract with the 183  
recipient of a loan or loan guarantee under the disabled veterans 184  
small business loan program. The contract shall specify the amount 185  
of the loan or loan guarantee, the interest rate on a loan, the 186  
amount of a loan guarantee, times for payment of principal and 187  
interest on a loan, service fees and charges, and other terms and 188  
conditions of the loan or loan guarantee. 189

**Sec. 5903.25.** (A) The director of development services shall 190  
define the conditions under which the recipient of a loan under 191  
the disabled veterans small business loan program is in default 192  
under the loan, and shall specify how the director is to verify 193  
amounts for which the director becomes liable under a loan 194  
guarantee. 195

(B) The director shall attempt to recover from the recipient 196  
an amount that is in default under a loan, or an amount for which 197  
the director becomes liable under a loan guarantee. If the 198  
director fails to recover from the recipient, the director shall 199  
notify the attorney general. The attorney general shall commence 200  
and prosecute a civil action to recover the amount in default or 201  
for which the director has become liable. 202

Sec. 5903.26. If an individual misrepresents the individual's 203  
self for the purpose of obtaining a loan or loan guarantee under 204  
the disabled veterans small business loan program, the individual 205  
is guilty of theft by deception under section 2913.02 of the 206  
Revised Code. 207

Sec. 5903.27. There is the disabled veterans small business 208  
loan program fund in the state treasury. Appropriations made to 209  
the disabled veterans small business loan program, and grants, 210  
gifts, bequests, and other contributions to the program, shall be 211  
deposited into the fund. Money received from the repayment of a 212  
loan under the program, and money recovered after a default of a 213  
loan or accrual of liability under a loan guarantee, shall be 214  
deposited into the fund. Investment earnings of the fund shall be 215  
credited to the fund. The director of development services shall 216  
use money in the fund to make loans and to create a reserve for 217  
loan guarantees under the program. 218

Sec. 5903.28. The director of development services, under 219  
Chapter 119. of the Revised Code, shall adopt and may amend or 220  
rescind rules necessary to create and administer, and as it 221  
becomes advisable improve, the disabled veterans small business 222  
loan program. 223

Sec. 5903.29. The director of development services annually 224  
not later than the first day of March shall prepare a report 225  
describing operations of the disabled veterans small business loan 226  
program during the preceding calendar year. The report shall 227  
include information with regard to: 228

(A) The number of applications received, the number of 229  
applications rejected for improper completion, and the number of 230  
applications accepted and denied; 231



(B) The number and amount of loans and loan guarantees made, 232  
classified into descriptive ranges; 233

(C) A description of the small businesses for which loans 234  
have been made or guaranteed, and a discussion of how those 235  
businesses have created or preserved jobs and employment 236  
opportunities and improved the economic welfare of the people of 237  
the state; 238

(D) The number and amount of loans in default, the number and 239  
amount of loan guarantees that have resulted in liability, the 240  
number and amount of defaulted loans and guarantees paid out that 241  
have been recovered, classified into descriptive ranges; and 242

(E) Any other information the director considers necessary to 243  
explain administration of the disabled veterans small business 244  
loan program during the preceding calendar year. 245

The director shall transmit a copy of the report to the 246  
governor, the president and minority leader of the senate, the 247  
speaker and minority leader of the house of representatives, and 248  
the director of veterans services. 249

**Section 2.** That existing section 122.011 of the Revised Code 250  
is hereby repealed. 251