



March 12, 2020

Hon. Joan Hartley
Hon. Caroline Simmons
Co-Chairs, Commerce Committee

Re: HB5007, An Act Concerning the
Small Business Express Program

Dear Senator Hartley and Representative Simmons:

The Connecticut Small Business Development Center (CTSBDC) supports this bill because we know first-hand that many small businesses seeking financing often come close, but don't quite meet a lenders' risk guidelines. This proposal to provide a state funded loan guarantee program will make many business borrowers more attractive to lenders.

According to the most recent Federal Reserve Bank survey of small businesses on their credit needs and practices, fewer Connecticut respondents applied for financing last year (30%) compared to the national application rate (43%). Connecticut firms stood out in two ways, compared to national respondents, in the reasons they did not apply for financing – one, they are more debt adverse; and two, they are nearly twice as likely to be discouraged about applying, because they did they did not believe they would get financing.

In terms of impact and deployment across the state, CTSBDC is the largest small business assistance program supported by the state. It offers no cost, in-depth advising and access to research reports and software tools to help business owners manage their finances, and brings university programs, knowledge, and talent to the community. Relevant to this proposal, CTSBDC last year assisted clients with securing \$49.6 million in capital funding for their businesses.

With this in mind, CTSBDC offers the following suggestions on how the support envisioned in this bill may be most effectively provided:

1. It is important that this support reach the business owners most in need and those most likely to seek financing. That means making sure all lenders are aware of the program and how it works, and all organizations that support potential borrowers are informed and positioned to offer advice on the appropriateness of this program for a particular business. To be most effective, this program must be visible "on the street", promoted by those who touch small businesses on a regular basis.

CTSBDC suggests that the program include a requirement that potential applicants register with CTSBDC, at no cost, to assure they effectively utilize this resource and increase the likelihood they will secure the financing they need.

2. The provision in DECD's proposal that it work with local and regional banks and Community Economic Financial Institutions (CEFIs) to provide funds for their loan programs is important and a good strategy. The Federal Reserve Bank credit survey mentioned above also reported that Connecticut respondents applied for financing from CEFIs at two and one-half times the rate of national respondents (13% v. 5%).

Providing more resources to CEFIs will assure more flexibility and expand their ability to meet the preferences and risk profiles of many small business borrowers.

In an effort to foster more growth in key industries and in underserved areas, CTSBDC suggests that DECD explore dedicating part of the funds that may go to banks and CEFIs to the following:

A grant/loan hybrid for qualified young (less than 18 months old) businesses who have demonstrated prospects for success, as reviewed and “certified” by qualified technical assistance providers and lenders. This may be targeted to specific industries.

A financing vehicle, perhaps via a CEFI or commercial lender, to leverage Opportunity Funds that are investing in small businesses in Opportunity Zones, perhaps offered as an equity/loan combination.

Whatever final version of this proposal may be adopted, CTSBDC is committed to promoting it, providing professional, no-cost technical assessment to program applicants, and offering input and data to help work out program logistics.

We stand ready to help the state as it seeks to support the small businesses and entrepreneurs who strive to grow and create opportunity for the residents of Connecticut.

Sincerely,

A handwritten signature in black ink that reads "Joe Ercolano". The signature is written in a cursive, flowing style.

Joe Ercolano
State Director
Connecticut Small Business Development Center