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## **OLR Bill Analysis**

**sHB 6467**

### ***AN ACT CONCERNING THE SMALL BUSINESS EXPRESS PROGRAM.***

#### **SUMMARY**

This bill makes the following changes to components of the Department of Economic and Community Development's (DECD) Small Business Express program (EXP):

1. expands the revolving loan fund's allowed uses;
2. allows the DECD commissioner, in consultation with Connecticut Innovations (CI), to establish a new EXP component;
3. increases, from \$100,000 to \$250,000, the maximum size of loans a minority business revolving loan fund (MBRLF) can provide; and
4. requires DECD, if it establishes an EXP component operated in collaboration with Connecticut-based banks, to administer this component in consultation with CI.

To be eligible for EXP financial assistance, a business must: (1) have employed no more than 100 employees on at least half of the working days in the previous 12 months, (2) operate in Connecticut, (3) have been registered to conduct business for at least 12 months, and (4) be in good standing with all state and local tax payments and with all state agencies.

Additionally, the bill (1) creates a new requirement for loan loss reserve accounts under the Connecticut Capital Access Fund program and (2) reduces the frequency, from biannually to annually, with which the DECD commissioner must report on the EXP program to the

General Assembly.

EFFECTIVE DATE: July 1, 2021

### **CHANGES TO EXP COMPONENTS**

By law, EXP funding is available to eligible businesses in the form of a loan or a grant through five components:

1. the revolving loan fund,
2. the job creation incentive fund,
3. the matching grant fund,
4. up to two MBRLFs, and
5. a component operated in collaboration with Connecticut-based banks.

#### ***Revolving Loan Fund***

Under current law, DECD can provide loans to eligible small businesses through the revolving loan fund. The bill expands this by allowing the department to also provide loan guarantees, loan portfolio guarantees, portfolio insurance, and grants under this EXP component.

#### ***New Component***

The bill allows the DECD commissioner to establish, in consultation with CI, a new EXP component. The new component can provide financial assistance consistent with CI's powers and the provisions and purposes of the (1) Connecticut Works Fund (see BACKGROUND) and (2) Connecticut Capital Access Fund. DECD must operate and administer the component in collaboration with CI.

#### ***Private Lender Component***

The law allows DECD to establish, in consultation with private lenders, a new EXP component comprised of (1) loan guarantees, (2) short-term loans used as a bridge to private sector financing, and (3) the transfer of loans issued under the revolving loan fund or job

creation incentive fund. The bill requires DECD to administer this component in consultation with CI if the department establishes it.

### **CONNECTICUT CAPITAL ACCESS FUND**

Under current law, participation agreements between CI and a financial institution participating in the Connecticut Capital Access Fund program must establish a separate loan loss reserve account owned and controlled by CI but earmarked to cover losses on loans enrolled by the financial institution in the program. The bill requires that these loan loss reserve accounts be located within (1) the financial institution entering the participation agreement or (2) a third-party financial institution approved by CI.

The Connecticut Capital Access Fund program is designed to provide portfolio insurance to participating financial institutions to help them make loans that are somewhat riskier than conventional loans.

### **BACKGROUND**

#### ***Connecticut Works Fund***

The Connecticut Works Fund provides direct loans for eligible projects and includes a loan guarantee program to encourage participating lenders to provide additional credit on more favorable terms.

### **COMMITTEE ACTION**

Commerce Committee

Joint Favorable Substitute

Yea 23    Nay 0    (03/22/2021)