



TESTIMONY PRESENTED TO THE COMMERCE COMMITTEE

Tuesday, February 23, 2021

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Department of Economic and Community Development*

House Bill 6467: An Act Concerning the Small Business Express Program

Good afternoon Senator Hartley, Representative Simmons, Senator Martin, Representative Buckbee, and members of the Commerce Committee. My name is David Lehman, and I am commissioner of the Department of Economic and Community Development (DECD). On behalf of Deputy Commissioner Thames and myself, I appreciate the opportunity submit testimony in support of H.B. 6467 An Act Concerning the Small Business Express Program.

As you know, our mission at DECD is to develop and implement strategies to increase the state's economic competitiveness. We do this by attracting and retaining businesses and jobs, revitalizing neighborhoods and communities, and preserving and promoting Connecticut's arts, cultural, and tourism assets.

Summary of House Bill 6467:

The Small Business Express program (EXP) was created to help stimulate the economy after the Great Recession when banks were not lending. EXP was not intended to be a long-term program, rather a bridge until the financial sector regained its footing. The Governor and DECD have met with financial institutions and other stakeholders on multiple occasions, and we believe that now is the time for the state to exit from direct lending and to stop competing with financial institutions. H.B. 6467 would allow DECD to partner with financial institutions and Community Economic Financial Institutions (CEFI), while also giving DECD the ability to increase our efforts to focus on women, minority, veteran and disabled-owned businesses.

First, DECD will partner with CT Innovations (CI) or another third party to administer and leverage the existing CAB loan guarantee program or contract with a third-party operator to provide a loan guarantee program, similar to what is done in Massachusetts and Rhode Island. We expect the program to utilize \$3 - \$8 million of existing bond capacity for the first four years.

Second, DECD will work with local/regional financial institutions and CEFI's to provide investment in their revolving loan fund programs to build capacity and ensure sustainable capital for higher risk credit profiles. We expect the program to utilize \$24-\$27 million of existing bond capacity over the first four years, inclusive of operating cost and loan deployment.

Significant Impacts:

Utilize private-sector expertise: This new program will allow the state to utilize private-sector expertise in all facets of providing loans to small businesses while allowing financial institutions the flexibility to widen the credit box.

New partnerships with private sector: Partner with financial institutions to increase lending capacity for small businesses and entrepreneurs. This provides multiple options to access capital while acknowledging barriers to traditional financing.

Lower cost, no new bonding: Over that past nine years, DECD has bonded over \$290 million to support the EXP program. EXP 2.0 will cost significantly less moving forward, allowing DECD to use existing resources rather than new bonding.

Leverage Factor: Potential 20x leverage vs. negative leverage in the current program.

Targeted investment toward market gaps: This new program will put an emphasis on supporting women, minority, veteran, and business owners with disabilities by allowing them access to additional capital through our network of community banks. DECD will design the specific criteria and go out to bid with an RFP process for this program. Additionally, the existing Minority Business Initiative (MBI), which is funded through EXP bonding, will continue to operate and be fully funded.

Maintain flexibility for times of crisis: EXP 2.0 allows DECD the flexibility to restart a program similar to the original EXP that provides direct loans and grants.

Thank you for your time and consideration. I am happy to answer any questions that you may have.