



House of Representatives

General Assembly

File No. 303

January Session, 2021

Substitute House Bill No. 6467

House of Representatives, April 7, 2021

The Committee on Commerce reported through REP. SIMMONS, C. of the 144th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING THE SMALL BUSINESS EXPRESS PROGRAM.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 32-7g of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2021*):

3 (a) There is established within the Department of Economic and
4 Community Development the Small Business Express program. Said
5 program shall provide small businesses with various forms of financial
6 assistance, using a streamlined application process to expedite the
7 delivery of such assistance. The Commissioner of Economic and
8 Community Development, at his or her discretion, may partner with the
9 lenders in the Connecticut Credit Consortium, established pursuant to
10 section 32-9yy, in order to fulfill the requirements of this section. A small
11 business eligible for assistance through said program shall (1) employ,
12 on at least fifty per cent of its working days during the preceding twelve
13 months, not more than one hundred employees, (2) have operations in
14 Connecticut, (3) have been registered to conduct business for not less

15 than twelve months, and (4) be in good standing with the payment of
16 all state and local taxes and with all state agencies.

17 (b) The Small Business Express program shall consist of various
18 components, including (1) a revolving loan fund, as described in
19 subsection (d) of this section, to support small business growth, (2) a job
20 creation incentive component, as described in subsection (e) of this
21 section, to support hiring, (3) a matching grant component, as described
22 in subsection (f) of this section, to provide capital to small businesses
23 that can match the state grant amount, (4) not more than two minority
24 business revolving loan funds, as described in subsection (g) of this
25 section, to support the growth of minority-owned businesses, [and] (5)
26 a component established in consultation with representatives from
27 Connecticut-based banks and a banking industry association, as
28 described in subsection (h) of this section, and (6) a component
29 established in consultation with Connecticut Innovations, Incorporated,
30 as described in subsection (i) of this section. The Commissioner of
31 Economic and Community Development shall work with eligible small
32 business applicants to provide a package of assistance using the
33 financial assistance provided by the Small Business Express program
34 and may refer small business applicants to the Subsidized Training and
35 Employment program established pursuant to section 31-3pp and any
36 other appropriate state program. Notwithstanding the provisions of
37 section 32-5a regarding relocation limits, the department may require,
38 as a condition of receiving financial assistance pursuant to this section,
39 that a small business receiving such assistance shall not relocate, as
40 defined in section 32-5a, for five years after receiving such assistance or
41 during the term of the loan, whichever is longer. All other conditions
42 and penalties imposed pursuant to section 32-5a shall continue to apply
43 to such small business.

44 (c) The commissioner shall establish a streamlined application
45 process for the Small Business Express program. The small business
46 applicant may receive assistance pursuant to said program not later
47 than thirty days after submitting a completed application to the
48 department. Any small business meeting the eligibility criteria in

49 subsection (a) of this section may apply to said program. The
50 commissioner shall give priority for available funding to small
51 businesses creating jobs and may give priority for available funding to
52 (1) economic base industries, as defined in subsection (d) of section 32-
53 222, including, but not limited to, those in the fields of precision
54 manufacturing, business services, green and sustainable technology,
55 bioscience and information technology, (2) businesses attempting to
56 export their products or services to foreign markets, and (3) businesses
57 located in designated innovation places, as defined in section 32-39j.

58 (d) (1) There is established as part of the Small Business Express
59 program a revolving loan fund to provide loans, loan guarantees, loan
60 portfolio guarantees, portfolio insurance and grants to eligible small
61 businesses. Such loans shall be used for acquisition or purchase of
62 machinery and equipment, construction or leasehold improvements,
63 relocation expenses, working capital, which may be used for payment
64 of rent, or other business-related expenses, as authorized by the
65 commissioner.

66 (2) Loans from the revolving loan fund may be in amounts from ten
67 thousand dollars to a maximum of one hundred thousand dollars, shall
68 carry a maximum repayment rate of four per cent and shall be for a term
69 of not more than ten years. The department shall review and approve
70 loan terms, conditions and collateral requirements in a manner that
71 prioritizes job growth and retention.

72 (3) Any eligible small business meeting the eligibility criteria in
73 subsection (a) of this section may apply for assistance from the revolving
74 loan fund, but the commissioner shall give priority to applicants that, as
75 part of their business plan, are creating new jobs that will be maintained
76 for not less than twelve consecutive months.

77 (e) (1) There is established as part of the Small Business Express
78 program a job creation incentive component to provide loans for job
79 creation to small businesses meeting the eligibility criteria in subsection
80 (a) of this section, with the option of loan forgiveness based on the
81 maintenance of an increased number of jobs for not less than twelve

82 consecutive months. Such loans may be used for training, marketing,
83 working capital, which may be used for payment of rent, or other
84 expenses, as approved by the commissioner, that support job creation.

85 (2) Loans under the job creation incentive component may be in
86 amounts from ten thousand dollars to a maximum of three hundred
87 thousand dollars, shall carry a maximum repayment rate of four per
88 cent and shall be for a term of not more than ten years. Payments on
89 such loans may be deferred, and all or part of such loan may be forgiven,
90 based upon the commissioner's assessment of the small business's
91 attainment of job creation goals. The department shall review and
92 approve loan terms, conditions and collateral requirements in a manner
93 that prioritizes job creation.

94 (f) (1) There is established as part of the Small Business Express
95 program a matching grant component to provide grants for capital to
96 small businesses meeting the eligibility criteria in subsection (a) of this
97 section. Such small businesses shall match any state funds awarded
98 under this program. Grant funds may be used for ongoing or new
99 training, working capital, which may be used for payment of rent,
100 acquisition or purchase of machinery and equipment, construction or
101 leasehold improvements, relocation within the state or other business-
102 related expenses authorized by the commissioner.

103 (2) Matching grants provided under the matching grant component
104 may be in amounts from ten thousand dollars to a maximum of one
105 hundred thousand dollars. The commissioner shall prioritize applicants
106 for matching grants based upon the likelihood that such grants will
107 assist applicants in maintaining job growth.

108 (3) The commissioner may waive the matching requirement for
109 grants under this subsection for working capital to small businesses
110 located within distressed municipalities, as defined in section 32-9p.

111 (g) (1) There are established as part of the Small Business Express
112 program not more than two revolving loan funds to provide loans to
113 eligible small businesses that are owned by one or more members of a

114 minority. As used in this subsection, (A) "minority business
115 development entity" means a nonprofit organization (i) having a
116 lending portfolio on or before June 9, 2016, from which at least seventy-
117 five per cent of lending is provided to minority-owned businesses state-
118 wide; and (ii) that provided technical assistance on or before June 9,
119 2016, provided at least seventy-five per cent of such assistance was
120 provided to minority-owned businesses state-wide; and (B) "minority"
121 means (i) Black Americans, including all persons having origins in any
122 of the Black African racial groups not of Hispanic origin; (ii) Hispanic
123 Americans, including all persons of Mexican, Puerto Rican, Cuban,
124 Central or South American, or other Spanish culture or origin,
125 regardless of race; (iii) all persons having origins in the Iberian
126 Peninsula, including Portugal, regardless of race; (iv) women; (v) Asian
127 Pacific Americans and Pacific islanders; or (vi) American Indians and
128 persons having origins in any of the original peoples of North America
129 and maintaining identifiable tribal affiliations through membership and
130 participation or community identification.

131 (2) Notwithstanding the provisions of section 32-7h, the
132 commissioner shall allocate from the available funding under the Small
133 Business Express program a total of five million dollars for grants-in-aid
134 to not more than two minority business development entities in each of
135 the fiscal years ending June 30, 2016, to June 30, 2020, inclusive, for the
136 purpose of establishing and administering minority business revolving
137 loan funds. Moneys from such funds shall be used to (A) provide loans
138 to eligible small businesses, and (B) fund the administrative costs
139 associated with the provision of such loans by a minority business
140 development entity, provided a minority business development entity
141 may not use more than ten per cent of the amount received as a grant
142 under this section to fund such costs. Such loans shall be used for
143 acquisition or purchase of machinery and equipment, construction or
144 leasehold improvements, relocation expenses, working capital, which
145 may be used for payment of rent, or other business-related expenses, as
146 authorized by the minority business development entity.

147 (3) Loans from a minority business revolving loan fund may be in

148 amounts from ten thousand dollars to a maximum of [one hundred] two
149 hundred fifty thousand dollars, shall carry a maximum repayment rate
150 of four per cent and shall be for a term of not more than ten years. The
151 minority business development entity shall review and approve loan
152 terms, conditions and collateral requirements in a manner that
153 prioritizes job growth and retention.

154 (4) Any eligible small business owned by one or more members of a
155 minority may apply for assistance from a minority business revolving
156 loan fund, provided the minority business development entity shall
157 give priority to applicants that, as part of their business plan, are
158 creating new jobs that will be maintained for not less than twelve
159 consecutive months.

160 (5) Loans from a minority business revolving fund shall be provided
161 in such a manner that, on or before five years after the date such loan
162 fund is established, the annual funds or revenues derived from
163 investment income, loan repayments or any other sources received by
164 the minority business development entity in connection with such loan
165 fund is sufficient to fund the administrative costs associated with such
166 loan fund.

167 (6) A minority business development entity receiving a grant
168 pursuant to this subsection shall annually submit to the commissioner a
169 financial audit of grant expenditures until all grant moneys have been
170 expended by such entity. Any such audit shall be prepared by an
171 independent auditor and if the commissioner finds that any such grant
172 is used for purposes that are not in conformity with uses set forth in
173 subdivisions (2) and (3) of this subsection, the commissioner may
174 require repayment of such grant.

175 (h) The commissioner, in consultation with representatives from
176 Connecticut-based banks and a banking industry association, may
177 establish as part of the Small Business Express program a component
178 operated in collaboration with Connecticut-based banks, which may
179 include, but need not be limited to, loan guarantees, short-term loans
180 used as a bridge to private sector financing and the transfer of loans

181 issued under subsection (d) or (e) of this section. Any loans issued under
182 such component shall be used for acquisition or purchase of machinery
183 and equipment, construction or leasehold improvements, relocation
184 expenses, working capital, which may be used for payment of rent, or
185 other business-related expenses, as authorized by the commissioner.
186 The provisions of subsections (d) to (g), inclusive, of this section shall
187 not be construed to apply to such component. Such component shall be
188 administered by the Department of Economic and Community
189 Development in consultation with Connecticut Innovations,
190 Incorporated. Notwithstanding the provisions of section 32-7h, the
191 commissioner may allocate not more than ten per cent of available
192 funding under the Small Business Express program to such component.
193 For purposes of this section, "Connecticut-based banks" means banks
194 and out-of-state banks, each as defined in section 36a-2, having deposit-
195 taking branches in the state.

196 (i) The commissioner, in consultation with Connecticut Innovations,
197 Incorporated, may establish as part of the Small Business Express
198 program a component operated in collaboration with Connecticut
199 Innovations, Incorporated, which may include, but need not be limited
200 to, financial assistance consistent with the provisions and purposes of
201 sections 32-23e, 32-23ii and 32-265, as amended by this act. Such
202 component shall be administered by the Department of Economic and
203 Community Development, in consultation with Connecticut
204 Innovations, Incorporated.

205 ~~[(i)]~~ (j) Not later than June 30, 2012, and [every six months] annually
206 thereafter, the commissioner shall provide a report, in accordance with
207 the provisions of section 11-4a, to the joint standing committees of the
208 General Assembly having cognizance of matters relating to finance,
209 revenue and bonding, appropriations, commerce and labor. Such report
210 shall include available data on (1) the number of small businesses that
211 applied to the Small Business Express program, (2) the number of small
212 businesses that received assistance under said program and the general
213 categories of such businesses, (3) the amounts and types of assistance
214 provided, (4) the total number of jobs on the date of application and the

215 number proposed to be created or retained, and (5) the most recent
216 employment figures of the small businesses receiving assistance. The
217 contents of such report shall also be included in the department's annual
218 report.

219 Sec. 2. Subsection (b) of section 32-265 of the general statutes is
220 repealed and the following is substituted in lieu thereof (*Effective July 1,*
221 *2021*):

222 (b) In order to stimulate and encourage the growth and development
223 of the state economy, the Connecticut Capital Access Fund is created to
224 provide portfolio insurance to participating financial institutions to
225 assist them in making loans that are somewhat riskier than conventional
226 loans. The insurance shall be based on a portfolio insurance mechanism
227 applicable to loans enrolled by a financial institution in the program,
228 rather than loans by loan guarantees. The state, acting through
229 Connecticut Innovations, Incorporated, shall enter into a participation
230 agreement with each financial institution approved to participate in the
231 program. A participation agreement entered into by the corporation and
232 a financial institution shall establish a separate loan loss reserve account
233 within such financial institution or a third-party financial institution
234 approved by Connecticut Innovations, Incorporated, owned and
235 controlled by Connecticut Innovations, Incorporated, but earmarked to
236 cover losses on loans enrolled by that financial institution in the
237 program. A separate loan loss reserve account shall be established for
238 each participating financial institution. Each time a financial institution
239 enrolls a loan in the program, payments shall be made into the
240 earmarked loan loss reserve account by the borrower, financial
241 institution and the corporation, in amounts consistent with the
242 provisions of the participation agreement. The financial institution shall
243 be allowed to recover the cost of its payment from the borrower.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2021	32-7g
Sec. 2	July 1, 2021	32-265(b)

CE *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 22 \$	FY 23 \$
Treasurer, Debt Serv.	GF - Potential Cost	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill makes several changes to the Small Business Express program that could result in increased or more rapid use of funds authorized for the Small Business Express program. The program is funded through a combination of General Obligation (GO) bond funds and revenues from repayment of loans previously issued under the program. Future General Fund debt service costs may be incurred sooner under the bill to the degree that it causes authorized GO bond funds to be expended or to be expended more rapidly than they otherwise would have been.

As of March 1, 2021, the unallocated bond balance available under the relevant authorizations is \$12.8 million. The bill does not change GO bond authorizations relevant to the program.

Background

The Governor's proposed bond bill (GB 887) includes \$25 million of new GO bond authorizations in each of FY 22 and FY 23 for the Small Business Express program. The impact of the proposed change in authorization in GB 887 will be discussed in the relevant bill's fiscal note, if applicable.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation and the terms of any bonds issued.

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)