



Senate

General Assembly

File No. 383

February Session, 2010

Senate Bill No. 22

Senate, April 8, 2010

The Committee on Commerce reported through SEN. LEBEAU of the 3rd Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT CONCERNING SMALL BUSINESS ASSISTANCE.

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

1 Section 1. (NEW) (*Effective July 1, 2010*) (a) As used in this section,
2 "qualified business" means a business employing less than two
3 hundred fifty people.

4 (b) Subject to the availability of funds, the Commissioner of
5 Economic and Community Development may establish a small
6 business assistance program to provide direct loans and loan
7 guarantees to qualified businesses.

8 (c) As part of the program established pursuant to subsection (b) of
9 this section, the commissioner may: (1) (A) Guarantee, make an
10 advance commitment to guarantee or cause to be guaranteed loans to
11 qualified businesses, provided the cumulative guarantees (i) to any
12 business shall not exceed three million dollars, and (ii) to all businesses
13 shall not exceed seventy-five million dollars, (B) in the case that loans
14 are not made available in connection with such guarantees, make or

15 cause to be made direct loans to any qualified business, provided the
16 cumulative total of outstanding loans (i) to any business at any time
17 shall not exceed three million dollars, and (ii) to all businesses at any
18 time shall not exceed seventy-five million dollars, or (C) transfer funds
19 to the Connecticut Development Authority for deposit in the
20 Investment and Loan Guaranty Fund, provided the authority shall
21 only use such transferred funds for loan guarantees to qualified
22 businesses made pursuant to this section; (2) make or cause to be made
23 direct loans to any qualified business, provided the cumulative total of
24 outstanding loans (A) to any business at any time shall not exceed five
25 hundred thousand dollars, and (B) to all businesses at any time shall
26 not exceed twenty-five million dollars; and (3) enter into participation
27 agreements with the authority, provided such agreements shall be
28 limited to loans and loan guarantees that meet the requirements of this
29 section.

30 Sec. 2. (*Effective July 1, 2010*) (a) For the purposes described in
31 subsection (b) of this section, the State Bond Commission shall have
32 the power, from time to time, to authorize the issuance of bonds of the
33 state in one or more series and in principal amounts not exceeding in
34 the aggregate one hundred million dollars.

35 (b) The proceeds of the sale of said bonds, to the extent of the
36 amount stated in subsection (a) of this section, shall be used by the
37 Department of Economic and Community Development for the
38 purpose of the small business assistance program established pursuant
39 to section 1 of this act.

40 (c) All provisions of section 3-20 of the general statutes, or the
41 exercise of any right or power granted thereby, which are not
42 inconsistent with the provisions of this section are hereby adopted and
43 shall apply to all bonds authorized by the State Bond Commission
44 pursuant to this section, and temporary notes in anticipation of the
45 money to be derived from the sale of any such bonds so authorized
46 may be issued in accordance with said section 3-20 and from time to
47 time renewed. Such bonds shall mature at such time or times not

48 exceeding twenty years from their respective dates as may be provided
 49 in or pursuant to the resolution or resolutions of the State Bond
 50 Commission authorizing such bonds. None of said bonds shall be
 51 authorized except upon a finding by the State Bond Commission that
 52 there has been filed with it a request for such authorization which is
 53 signed by or on behalf of the Secretary of the Office of Policy and
 54 Management and states such terms and conditions as said commission,
 55 in its discretion, may require. Said bonds issued pursuant to this
 56 section shall be general obligations of the state and the full faith and
 57 credit of the state of Connecticut are pledged for the payment of the
 58 principal of and interest on said bonds as the same become due, and
 59 accordingly and as part of the contract of the state with the holders of
 60 said bonds, appropriation of all amounts necessary for punctual
 61 payment of such principal and interest is hereby made, and the State
 62 Treasurer shall pay such principal and interest as the same become
 63 due.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2010</i>	New section
Sec. 2	<i>July 1, 2010</i>	New section

CE *Joint Favorable*

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 11 \$	FY 12 \$
Treasurer, Debt Serv.	GF - Cost	See Below	See Below
Department of Economic & Community Development	GF - Potential Cost	252,218	259,784
Comptroller Misc. Accounts (Fringe Benefits) ¹	GF - Potential Cost	67,241	172,782
CT. Development Auth. (quasi-public)	Various - Potential Cost	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill authorizes the Department of Economic and Community Development (DECD) to establish a direct loan and loan guarantee program for businesses with less than 250 employees. It is anticipated that a significant number of businesses would be eligible. Assuming 100 businesses apply, DECD would incur costs of \$252,218 in FY 11 to hire three Economic and Community Development Agents (with a salary of \$64,511 each) and one Accounts Examiner (with a salary of \$58,685). Fringe benefit costs would be \$67,241 in FY 11 and \$172,782 in FY 12.

The bill permits DECD to transfer funds to the Connecticut Development Authority (CDA), a quasi-public agency, to make loan guarantees to qualified businesses. If such funds are transferred, CDA

¹ The estimated non-pension fringe benefit rate as a percentage of payroll is 26.66% which includes health insurance, social security, Medicare, life insurance, and unemployment compensation. Fringe benefit costs for new positions do not include pension costs as new positions will not impact the state's pension contribution until FY 12 after the next scheduled actuarial valuation.

may incur costs to administer the loan guarantee program, and the costs to DECD may be reduced.

The bill authorizes \$100.0 million in General Obligation (GO) bonds in FY 11 to provide these loans and loan guarantees. The total General Fund debt service cost for principal and interest payments to issue this amount over 20 years assuming a 5.0% interest rate is \$152.5 million. The first year that the state will experience costs associated with the bonds depends on when they are allocated through the State Bond Commission and when the funds are expended.

The Out Years

The fiscal impact identified above for the General Fund would continue into the future for the term of issuance of the bonds.

Sources: United States Census Bureau 2006 County Business Patterns, Statistics on Business

OLR Bill Analysis**SB 22*****AN ACT CONCERNING SMALL BUSINESS ASSISTANCE.*****SUMMARY:**

This bill authorizes the Department of Economic and Community Development (DECD) to establish a loan and loan guarantee program for businesses with 250 or fewer employees (which the bill terms “qualified businesses”). It also permits DECD to transfer funds to and participate with the Connecticut Development Authority (CDA) to provide assistance to these businesses. The bill authorizes up to \$100 million in bonding for the program.

EFFECTIVE DATE: July 1, 2010

SMALL BUSINESS ASSISTANCE PROGRAM***Loan Guarantees***

The bill authorizes DECD to guarantee loans to qualified businesses, make advance commitments to guarantee, or provide for such guarantees. DECD can issue guarantees of up to \$3 million to a single business and up to \$75 million for all businesses.

Direct Loans

The bill appears to establish two direct loan streams for qualified businesses. In one, for loans that are not connected to loan guarantees, DECD can directly lend or provide for loans up to \$3 million to a qualified business at any one time. It can maintain up to \$75 million in outstanding loans to all qualified businesses at any one time.

The other loan stream provides smaller loans. It allows DECD to lend directly or provide for loans up to \$500,000 to a single business at any one time; the limit for all outstanding loans in this stream is \$25 million.

CDA Participation

The bill permits DECD to transfer program funds to CDA, which must deposit them in its Investment and Loan Guaranty Fund. The bill limits CDA's use of the transferred funds to making loan guarantees to qualified businesses, subject to the bill's loan guarantee limits.

DECD can also enter into participation agreements with CDA, which must be limited to loans and guarantees that meet the bill's requirements.

COMMITTEE ACTION

Commerce Committee

Joint Favorable

Yea 20 Nay 0 (03/23/2010)