



Senate

General Assembly

File No. 587

February Session, 2012

Substitute Senate Bill No. 81

Senate, April 24, 2012

The Committee on Appropriations reported through SEN. HARP of the 10th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

***AN ACT CONCERNING LOAN REPAYMENT TERMS AND THE
MAXIMUM NUMBER OF EMPLOYEES TO QUALIFY FOR CERTAIN
ECONOMIC DEVELOPMENT PROGRAMS.***

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

1 Section 1. Section 32-7g of the 2012 supplement to the general
2 statutes is repealed and the following is substituted in lieu thereof
3 (*Effective July 1, 2012*):

4 (a) There is established within the Department of Economic and
5 Community Development the Small Business Express program. Said
6 program shall provide small businesses with various forms of financial
7 assistance, using a streamlined application process to expedite the
8 delivery of such assistance. The Commissioner of Economic and
9 Community Development may partner with any other entity,
10 including, but not limited to, the Connecticut Credit Consortium
11 established pursuant to section 32-9yy, to meet the requirements of this
12 section. A small business eligible for assistance through said program
13 shall, as of October 27, 2011, (1) employ, on at least fifty per cent of its

14 working days during the preceding twelve months, not more than fifty
15 employees or not more than one hundred employees for a business
16 described in sector 31, 32 or 33 of the North American Industrial
17 Classification System, (2) [be a Connecticut-based business with
18 operations in Connecticut, (3)] have been registered to conduct
19 business [in this state] for not less than twelve months, and [(4)] (3) be
20 in good standing with the payment of all state and local taxes and with
21 all state agencies.

22 (b) The Small Business Express program shall consist of various
23 components, including (1) a revolving loan fund, as described in
24 subsection (d) of this section, to support small business growth, (2) a
25 job creation incentive component, as described in subsection (e) of this
26 section, to support hiring, and (3) a matching grant component, as
27 described in subsection (f) of this section, to provide capital to small
28 businesses that can match the state grant amount. The Commissioner
29 of Economic and Community Development shall work with eligible
30 small business applicants to provide a package of assistance using not
31 only the financial assistance provided by the Small Business Express
32 program but also the Subsidized Training and Employment program
33 established pursuant to section 31-3pp, as amended by this act, and
34 any other appropriate state program. Notwithstanding the provisions
35 of section 32-5a regarding relocation limits, the department may
36 require, as a condition of receiving financial assistance pursuant to this
37 section, that a small business receiving such assistance shall not
38 relocate, as defined in said section 32-5a, for five years after receiving
39 such assistance or during the term of the loan, whichever is longer. All
40 other conditions and penalties imposed pursuant to said section 32-5a
41 shall continue to apply to such small business.

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

48 commissioner shall give priority for available funding to (1) small
49 businesses creating jobs, and (2) economic base industries, as defined
50 in subsection (d) of section 32-222, including, but not limited to, those
51 in the fields of precision manufacturing, business services, green and
52 sustainable technology, bioscience and information technology.

53 (d) (1) There is established as part of the Small Business Express
54 program a revolving loan fund to provide loans to eligible small
55 businesses. Such loans shall be used for acquisition or purchase of
56 machinery and equipment, construction or leasehold improvements,
57 relocation expenses, working capital or other business-related
58 expenses, as authorized by the commissioner.

59 (2) Loans from the revolving loan fund may be in amounts from ten
60 thousand dollars to a maximum of [~~one hundred~~] five hundred
61 thousand dollars, shall carry a maximum repayment rate of four per
62 cent and shall be for a term of not more than [~~five~~] ten years. The
63 department shall review and approve loan terms, conditions and
64 collateral requirements in a manner that prioritizes job growth and
65 retention.

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

71 (e) (1) There is established as part of the Small Business Express
72 program a job creation incentive component to provide loans for job
73 creation to small businesses meeting the eligibility criteria in
74 subsection (a) of this section, with the option of loan forgiveness based
75 on the maintenance of an increased number of jobs for not less than
76 twelve consecutive months. Such loans may be used for training,
77 marketing, working capital or other expenses, as approved by the
78 commissioner, that support job creation.

79 (2) Loans under the job creation incentive component may be in

80 amounts from ten thousand dollars to a maximum of two hundred
81 fifty thousand dollars, shall carry a maximum repayment rate of four
82 per cent and shall be for a term of not more than ten years. Payments
83 on such loans may be deferred, and all or part of such loan may be
84 forgiven, based upon the commissioner's assessment of the small
85 business's attainment of job creation goals. The department shall
86 review and approve loan terms, conditions and collateral requirements
87 in a manner that prioritizes job creation.

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

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

102 [(g) Not later than June 30, 2012, and every six months thereafter,
103 the commissioner shall provide a report, in accordance with the
104 provisions of section 11-4a, to the joint standing committees of the
105 General Assembly having cognizance of matters relating to finance,
106 revenue and bonding, appropriations, commerce and labor. Such
107 report shall include available data on (1) the number of small
108 businesses that applied to the Small Business Express program, (2) the
109 number of small businesses that received assistance under said
110 program and the general categories of such businesses, (3) the amounts
111 and types of assistance provided, (4) the total number of jobs on the
112 date of application and the number proposed to be created or retained,

113 and (5) the most recent employment figures of the small businesses
114 receiving assistance. The contents of such report shall also be included
115 in the department's annual report.]

116 Sec. 2. (NEW) (*Effective from passage*) (a) There is established an
117 account to be known as the "small business express assistance account"
118 which will be a separate, nonlapsing account within the General Fund.
119 The account shall contain any money required by law to be deposited
120 in the account. Repayment of principal and interest on loans shall be
121 credited to such account and shall become part of the assets of the
122 account. All moneys received in consideration of financial assistance,
123 including payments of principal and interest on any loans, shall be
124 credited to the account. Moneys in the account shall be expended by
125 the Department of Economic and Community Development for the
126 purposes of the Small Business Express program established pursuant
127 to section 32-7g of the general statutes, as amended by this act.

128 (b) The Commissioner of Economic and Community Development
129 may provide for the payment of any administrative expenses or other
130 costs incurred by the department or its lender partners in carrying out
131 the purposes of the Small Business Express program from the account
132 established pursuant to subsection (a) of this section.

133 Sec. 3. Subsection (a) of section 32-235 of the 2012 supplement to the
134 general statutes is repealed and the following is substituted in lieu
135 thereof (*Effective from passage*):

136 (a) For the purposes described in subsection (b) of this section, the
137 State Bond Commission shall have the power, from time to time to
138 authorize the issuance of bonds of the state in one or more series and
139 in principal amounts not exceeding in the aggregate one billion fifteen
140 million three hundred thousand dollars, provided one hundred forty
141 million dollars of said authorization shall be effective July 1, 2011, and
142 twenty million dollars of said authorization shall be made available for
143 small business development. Two hundred eighty million dollars of
144 said authorization shall be effective July 1, 2012, and forty million
145 dollars of said authorization shall be made available for small business

146 development, of which thirty million shall be made available for the
147 Small Business Express program established pursuant to section 32-7g,
148 as amended by this act. Any amount of said authorizations that are
149 required to be made available for small business development but are
150 not exhausted for such purpose by the first day of the fiscal year
151 subsequent to the fiscal year in which such amount was made
152 available shall be used for the purposes described in subsection (b) of
153 this section. For purposes of this subsection, a "small business" is one
154 employing not more than fifty employees.

155 Sec. 4. Subsection (a) of section 31-3pp of the 2012 supplement to the
156 general statutes is repealed and the following is substituted in lieu
157 thereof (*Effective July 1, 2012*):

158 (a) For purposes of this section:

159 (1) "Department" means the Labor Department;

160 (2) "Eligible small business" means a business that (A) employed not
161 more than [fifty] one hundred full-time employees on at least fifty per
162 cent of its working days during the preceding twelve months, (B) is a
163 Connecticut-based business with operations in Connecticut, (C) has
164 been registered to conduct business in this state for not less than
165 twelve months, and (D) is in good standing with the payment of all
166 state and local taxes. "Eligible small business" does not include a
167 retailer, as defined in section 42-371;

168 (3) "Control", with respect to a corporation, means ownership,
169 directly or indirectly, of stock possessing fifty per cent or more of the
170 total combined voting power of all classes of the stock of such
171 corporation entitled to vote. "Control", with respect to a trust, means
172 ownership, directly or indirectly, of fifty per cent or more of the
173 beneficial interest in the principal or income of such trust. The
174 ownership of stock in a corporation, of a capital or profits interest in a
175 partnership, limited liability company or association or of a beneficial
176 interest in a trust shall be determined in accordance with the rules for
177 constructive ownership of stock provided in Section 267(c) of the

178 Internal Revenue Code of 1986, or any subsequent corresponding
179 internal revenue code of the United States, as from time to time
180 amended, other than paragraph (3) of said Section 267(c);

181 (4) "Related person" means (A) a corporation, limited liability
182 company, partnership, association or trust controlled by the eligible
183 small business, (B) an individual, corporation, limited liability
184 company, partnership, association or trust that is in control of the
185 eligible small business, (C) a corporation, limited liability company,
186 partnership, association or trust controlled by an individual,
187 corporation, limited liability company, partnership, association or trust
188 that is in control of the eligible small business, or (D) a member of the
189 same controlled group as the eligible small business;

190 (5) "Eligible small manufacturer" means an eligible small business
191 described in sectors 31 to 33, inclusive, of the North American Industry
192 Classification System, that employed not more than [fifty] one
193 hundred employees on at least fifty per cent of its working days
194 during the preceding twelve months.

195 Sec. 5. Subdivision (2) of subsection (b) of section 31-3pp of the 2012
196 supplement to the general statutes is repealed and the following is
197 substituted in lieu thereof (*Effective July 1, 2012*):

198 (2) The department may use up to [four] ten per cent of any funds
199 allocated pursuant to section 5 of public act 11-1 of the October special
200 session for [the purpose of retaining outside consultants to administer]
201 the payment of any administrative expenses or other costs incurred by
202 the department or its outside consultants in carrying out the purposes
203 of the Subsidized Training and Employment program.

204 Sec. 6. Subsection (c) of section 31-3pp of the 2012 supplement to the
205 general statutes is repealed and the following is substituted in lieu
206 thereof (*Effective July 1, 2012*):

207 (c) (1) An eligible small business may apply to the department for a
208 grant to subsidize on-the-job training and compensation for a new

209 employee, where "new employee" means a person who (A) was
 210 unemployed immediately prior to employment, regardless of whether
 211 such person collected unemployment compensation benefits as a result
 212 of such unemployment, (B) is a resident of a municipality that has (i)
 213 an unemployment rate that is equal to or higher than the state
 214 unemployment rate as of September 1, 2011, or (ii) a population of
 215 eighty thousand or more, and (C) has a family income equal to or less
 216 than two hundred fifty per cent of the federal poverty level, adjusted
 217 for family size. An eligible small business may apply to the Labor
 218 Commissioner for, and the Labor Commissioner may grant, a waiver
 219 from the requirements of subparagraphs (B) and (C) of this subdivision
 220 in determining whether any person qualifies as a new employee. "New
 221 employee" does not include a person who was employed in this state
 222 by a related person with respect to the eligible small business during
 223 the prior twelve months.

224 (2) Grants to eligible small businesses under the Subsidized
 225 Training and Employment program shall be in the following amounts:
 226 (A) For the first full calendar month a new employee is employed, one
 227 hundred per cent of an amount representing the hourly wage of such
 228 new employee, exclusive of any benefits, but in no event shall such
 229 amount exceed twenty dollars per hour; (B) for the second and third
 230 full calendar months, seventy-five per cent of such amount; (C) for the
 231 fourth and fifth full calendar months, fifty per cent of such amount;
 232 and (D) for the sixth full calendar month, twenty-five per cent of such
 233 amount. Grants shall be cancelled as of the date the new employee
 234 leaves employment with the eligible small business.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2012	32-7g
Sec. 2	from passage	New section
Sec. 3	from passage	32-235(a)
Sec. 4	July 1, 2012	31-3pp(a)
Sec. 5	July 1, 2012	31-3pp(b)(2)
Sec. 6	July 1, 2012	31-3pp(c)

APP *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 13 \$	FY 14 \$
Department of Economic & Community Development	GF - Potential Cost	Potential	Potential
Labor Dept.	GOBonds - See Below	See Below	See Below

Note: GF=General Fund; GOBonds=General Obligation Bonds

Municipal Impact: None

Explanation

The bill could result in a cost to the Department of Economic and Community Development (DECD) by allowing any partnering entities to the Small Business Express Program (Express) to seek administrative costs from a new account in the General Fund.

The bill also allows the Department of Labor (DOL) to use up to 10% of the bond funds, or \$2 million, for administration of the Subsidized Training and Employment Program (STEP).

Small Business Express Program

Section 1 expands the Express to additional businesses and the expansion of the maximum loan amounts from \$100,000 to \$500,000. These changes do not result in a fiscal impact because the amount available to Express is unchanged under the bill.¹ All other changes in Section 1 result in no fiscal impact.

Section 2 creates a separate non-lapsing account in the General

¹ PA 11-1 of the October Special Session authorized \$100 million to the Small Business Express Program. The State Bonding Commission allotted \$50 million to the program on December 16, 2011.

Fund where loan repayments may be deposited and utilized by DECD and its partnering entities to cover administrative costs. To the extent that DECD and its partnering entities utilize the funds in the account for expenses, there would be less funding available from the repayments to provide loans to other eligible businesses. It is uncertain the extent to which DECD and any partnering entities would request, and the DECD Commissioner would approve, funding to cover administrative expenses.

Section 3 makes changes to the bond provisions for the Manufacturing Assistance Act (MAA) program. These changes have no fiscal impact because they do not authorize additional General Obligation (GO) bonds for the program.

Subsidized Training and Employment Program (STEP)

During the October 2011 Special Session, \$20 million in general obligation bond funds were authorized for the Department of Labor to establish the Subsidized Training and Employment Program (STEP). The State Bond Commission allocated \$10 million of the total at its January 2012 meeting.

The bill allows the Department of Labor (DOL) to use up to 10% of the bond funds, or \$2 million, for administration of STEP. It is expected that the bond funds will cover the program's administrative costs.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**sSB 81*****AN ACT CONCERNING LOAN REPAYMENT TERMS AND THE MAXIMUM NUMBER OF EMPLOYEES TO QUALIFY FOR CERTAIN ECONOMIC DEVELOPMENT PROGRAMS.*****SUMMARY:**

This bill opens the Small Business Express (Express) and Subsidized Training and Employment (STEP) programs to more businesses and makes other programmatic and administrative changes. It reserves \$30 million from an existing bond authorization for Express, which consists of several components providing financial assistance to small businesses. It increases the maximum loan amount and repayment terms for its revolving loan component and specifies the interest rate and repayment terms for its job incentive component.

Express is administered by the Department of Economic and Community Development (DECD). The bill allows DECD to (1) use a portion of Express' funds to cover its administrative expenses and (2) partner with other organizations to administer the program. It also (1) resets the period during which businesses receiving Express funds must remain in the state to avoid statutory penalties; (2) establishes a separate nonlapsing account for Express funds, including loan repayments; and (3) eliminates a duplicative reporting requirement.

STEP, which is administered by the Department of Labor (DOL), subsidizes the cost of training and compensating a new employee during his or her first six months on the job. Businesses qualify for STEP subsidies based partly on a new employee's income and residence. The bill allows the DOL commissioner to waive these criteria. It also allows him to use a portion of the STEP's funds to cover certain administrative expenses.

EFFECTIVE DATE: July 1, 2012, except for the provisions establishing a Small Business Express Program account and the bonding provision, which take effect on passage.

SMALL BUSINESS EXPRESS PROGRAM

The bill makes several programmatic changes to the program, which consists of separate revolving loan, job incentive, and matching grant components. Some of the program's requirements apply to all of the components, some to specific ones. The bill makes changes to both sets of requirements.

Eligible Businesses

The bill opens the program's components to more businesses. Under current law, a business qualifies for assistance if it employs 50 or fewer people during at least half of its working days in the prior 12 months and meets other criteria. The business must also:

1. be based or operate in Connecticut,
2. have been registered to do business here for at least 12 months,
3. be current on all state and local taxes, and
4. be in good standing with all state agencies.

The bill extends Express assistance to businesses based in other states and with no operations in Connecticut. It also extends assistance to more manufacturers by raising the employee threshold for these businesses from 50 to 100 employees.

Relocation Penalties

The bill resets the time period during which a business receiving assistance under any component may have to pay the statutory penalty if it relocates out of state after receiving assistance (CGS § 32-5a). Under current law, a business receiving Express financing must repay 100% of the assistance plus 5% if it relocates out of Connecticut within five years after receiving the assistance. Under the bill, the period is five years or the loan's term, whichever is longer. The bill sets

the maximum repayment period for Express loans at 10 years.

Eligible Costs

The bill expressly allows businesses to use revolving loan funds or matching grants to purchase machinery and equipment. Under existing law, revolving loans can already be used to acquire machinery and equipment, construct facilities or make leasehold improvements, cover moving expenses, or provide working capital. Matching grants can also be used for these activities and new and ongoing workforce training.

Loan Amounts and Terms

The bill increases the maximum loan amount under the revolving loan component from \$100,000 to \$500,000 and extends the maximum period for repaying a loan from five to 10 years. Under current law and the bill, the commissioner can charge up to 4% interest on these loans.

Current law authorizes loans of between \$10,000 and \$250,000 under the job creation incentive component and allows the commissioner to forgive or defer them, but sets no interest rate or repayment term for them. The bill allows the commissioner to charge up to 4% on the loans and sets the repayment period at up to 10 years.

Administrative Changes

The bill makes several administrative changes. It allows the DECD commissioner to partner with other entities to run the program. These entities include the Connecticut Credit Consortium, which is a DECD-administered small business assistance revolving fund established under PA 10-75.

The bill establishes a separate, nonlapsing General Fund account for Express funds. The fund must contain any funds the law requires to be deposited there, principal and interest loan repayments, and any other funds DECD receives in consideration for Small Business Express assistance. DECD and its administrative partners can use the fund to cover administrative expenses and other costs incurred to run the

program.

Reporting Requirement

The bill eliminates the requirement that DECD report biannually on the program to the Appropriations; Commerce; Labor; and Finance, Revenue and Bonding committees. Under current law, the first report is due June 30, 2012. The report must provide data on the number of businesses that applied for assistance, number and types that received assistance, amount and types of assistance they received, each business' total workforce when it applied for assistance and the total number of jobs it proposed to create or retain, and each business' most recent employment figures.

Current law also requires DECD to include this data in its annual report to the legislature. By law, that report must already include specific information on any business receiving DECD assistance. The information includes the number of jobs they planned to create or retain, and the number they actually created or retained (CGS § 32-1m).

STEP

Eligible Businesses

The bill allows more businesses to qualify for STEP, which subsidizes the costs of training and compensating a new employee during his or her first six months on the job. The subsidies are different for small manufacturers and other types of small businesses, but the eligibility criteria are mostly the same. The bill doubles the maximum number of employees for both types of businesses to qualify for STEP from 50 to 100.

Eligible Employee for Nonmanufacturing Small Businesses

A nonmanufacturing small business qualifies for STEP based on the number of people it employs and the new employee's income and residence. Under current law, the new employee must:

1. be unemployed immediately before being hired, regardless of

whether he or she received unemployment benefits;

2. live in a municipality with either an unemployment rate at least as high as the state unemployment rate as of September 1, 2011 or a population of 80,000 or more;
3. have a family income under 250% of the federal poverty level, adjusted for family size.

The bill allows the DOL commissioner to waive the employee residency and income criteria, thus making it easier for a business to qualify for STEP.

Administrative Costs

The bill allows DOL to use up to 10% of any funds allocated to STEP to cover the administrative expenses DOL or its outside consultants incur to run the program. Current law allows DOL to use up to 4% of these funds to cover the cost of retaining outside consultants to run the program.

BACKGROUND

Related Bill

sSB 1 (File 400) makes similar changes to the Small Business Express and STEP programs. It opens up the Small Business Express Program to more manufacturing and nonmanufacturing businesses by raising the size ceiling from 50 to 100 employees. sSB 1 also makes other changes to the business eligibility criteria, relocation penalties, eligible costs, loan amounts and terms, and administrative and reporting requirements.

sSB 1 opens STEP to more businesses by raising the size ceiling from 50 to 100 employees and extending subsidies to retailers hiring permanent full-time and part-time employees. It allows DOL to use up to (1) 4% of the funds allocated to the program to cover the cost of retaining outside consultants and the Workforce Investment Boards to run the program and (2) another 4% to cover STEP's marketing and promotion costs. sSB 1 also makes changes to the subsidy schedule,

reporting requirements, and the time during which the bonds authorized for the program are available.

sSB 1 also creates separate subsidized employment and training program modeled after STEP for unemployed veterans.

Legislative History

The Senate referred the bill (File 118) to the Appropriations Committee, which reported a substitute eliminating FY 13 appropriations for two DOL workforce development programs.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute

Yea 18 Nay 0 (03/15/2012)

Appropriations Committee

Joint Favorable Substitute

Yea 28 Nay 17 (04/13/2012)