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 nonlasping 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)