



# House of Representatives

General Assembly

**File No. 473**

January Session, 2015

Substitute House Bill No. 6827

*House of Representatives, April 7, 2015*

The Committee on Commerce reported through REP. PERONE of the 137th 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 AND UNDERSERVED COMMUNITIES.***

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 Section 32-7g of the general statutes is repealed and the  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, 2015*):

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  
9 the lenders in the Connecticut Credit Consortium, established  
10 pursuant to section 32-9yy, in order to fulfill the requirements of this  
11 section. A small business eligible for assistance through said program  
12 shall [, as of June 15, 2012,] (1) employ [, on at least fifty per cent of its  
13 working days during the preceding twelve months,] not more than one  
14 hundred employees, (2) have operations in Connecticut, [(3) have been

15 registered to conduct business for not less than twelve months, and (4)]  
16 and (3) be in good standing with the payment of all state and local  
17 taxes and with all state agencies.

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

49 businesses creating jobs and may give priority for available funding to  
50 (1) economic base industries, as defined in subsection (d) of section 32-  
51 222, including, but not limited to, those in the fields of precision  
52 manufacturing, business services, green and sustainable technology,  
53 bioscience and information technology, and (2) businesses attempting  
54 to export their products or services to foreign markets.

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

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

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

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

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

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

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

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

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

106 (g) The commissioner, in collaboration with private sector lenders  
107 doing business in Connecticut, may establish, as part of the Small  
108 Business Express program, a loan fund to provide small businesses in  
109 the state with access to capital. Such capital shall be used for  
110 acquisition or purchase of machinery and equipment, construction or  
111 leasehold improvements, relocation expenses, working capital or other  
112 business-related expenses, as authorized by the commissioner. Such  
113 loan fund shall be administered by the Department of Economic and

114 Community Development. The commissioner may allocate not more  
115 than ten per cent of available funding under the Small Business  
116 Express program to such loan fund.

117 (h) The commissioner, in consultation with community leaders,  
118 shall identify populations underserved by the Small Business Express  
119 program in municipalities that have a population of more than seventy  
120 thousand. Notwithstanding subsection (c) of this section, the  
121 commissioner may give priority for available funding to businesses  
122 owned by populations identified pursuant to this subsection. The  
123 commissioner shall include in the report described in subsection (i) of  
124 this section a summary of such identification efforts and any assistance  
125 granted to such businesses.

126 [(g)] (i) Not later than June 30, 2012, and every six months  
127 thereafter, the commissioner shall provide a report, in accordance with  
128 the provisions of section 11-4a, to the joint standing committees of the  
129 General Assembly having cognizance of matters relating to finance,  
130 revenue and bonding, appropriations, commerce and labor. Such  
131 report shall include available data on (1) the number of small  
132 businesses that applied to the Small Business Express program, (2) the  
133 number of small businesses that received assistance under said  
134 program and the general categories of such businesses, (3) the amounts  
135 and types of assistance provided, (4) the total number of jobs on the  
136 date of application and the number proposed to be created or retained,  
137 and (5) the most recent employment figures of the small businesses  
138 receiving assistance. The contents of such report shall also be included  
139 in the department's annual report.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2015	32-7g

**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.

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**OFA Fiscal Note**

**State Impact:**

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 16 \$</b>	<b>FY 17 \$</b>
Treasurer, Debt Serv.	GF - Acceleration of Debt Service Costs	Potential	Potential

Note: GF=General Fund

**Municipal Impact:** None

**Explanation**

The bill makes various changes to the Small Business Express (Express) program, including:

1. expanding eligibility;
2. reducing minimum loan amounts;
3. adding new lending component that includes up to 10% of available Express funding for a loan fund specifically for acquiring or purchasing machines and equipment, constructing facilities or making leasehold improvements, covering relocation costs, providing working capital, or covering other business-related expenses the commissioner approves, and
4. identifying and targeting underserved populations.

The bill however does not change General Obligation (GO) bond authorizations relevant to the program.

Future General Fund debt service costs may be incurred sooner under the bill to the degree that the bill causes authorized GO bond funds to be expended more rapidly than they otherwise would have

been.

The Express program is funded through GO bond funds. The program has received \$260 million in bond authorizations since its inception in 2011. As of April 7<sup>th</sup>, the unallocated bond balance available to the program is \$65 million.

The bill also requires the Department of Economic and Community Development (DECD) to provide a summary of identification efforts and any assistance granted to businesses in underserved municipalities. There is no impact to DECD as the agency biannually reports on the status of program to the legislature.

### ***The Out Years***

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

**OLR Bill Analysis**

**sHB 6827**

***AN ACT CONCERNING THE SMALL BUSINESS EXPRESS PROGRAM AND UNDERSERVED COMMUNITIES.***

**SUMMARY:**

This bill makes several changes to the Small Business Express (EXP) program, which is administered by the Department of Economic and Community Development (DECD) (see BACKGROUND). It:

1. extends eligibility for EXP funds to start-up businesses;
2. reduces the minimum grant or loan amount to \$1,000 from \$10,000;
3. allows DECD to establish an additional EXP loan fund in collaboration with private sector lenders;
4. requires DECD to identify populations underserved by EXP in cities with populations above 70,000; and
5. allows DECD to give priority for funding to businesses owned by a member of any identified underserved populations.

EFFECTIVE DATE: July 1, 2015

**ELIGIBILITY AND AWARD AMOUNTS**

The bill extends eligibility for financial assistance from EXP to start-up businesses. Under current law, businesses must be operating for at least 12 months before they are eligible for assistance.

Under current law, \$10,000 is the minimum loan or grant amount that may be awarded from any of EXP's three funds. The bill decreases that minimum to \$1,000 but retains current maximum amounts.

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**ADDITIONAL EXP LOAN FUND**

Under the bill, the DECD commissioner may establish an additional EXP loan fund in collaboration with private lenders in Connecticut and may allocate up to 10 percent of available EXP funding to the fund. If established, DECD must administer the loan fund.

Loans awarded from this fund must be used for: (1) acquisition or purchase of machinery and equipment, (2) construction or leasehold improvements, (3) relocation expenses, (4) working capital, or (5) other DECD-authorized business expenses.

**UNDERSERVED POPULATIONS**

The bill requires the DECD commissioner, in consultation with community leaders, to identify populations underserved by EXP in cities with a population of 70,000 or more. After doing so, the commissioner may give priority for funding to businesses owned by the underserved populations she identifies. The bill also requires DECD to include a summary of its identification efforts and any assistance awarded accordingly in its EXP report. Existing law requires DECD to submit an EXP report every six months to the Appropriations; Commerce; Labor; and Finance, Revenue, and Bonding committees.

**BACKGROUND*****Small Business Express (EXP)***

EXP provides deferrable or forgivable loans and matching grants to state-based small businesses and small manufacturers through three separate program components: the Revolving Loan Fund, the Job Creation Incentive Program, and the Matching Grant Program. Loan and grant amounts under current law range from \$10,000 to \$300,000.

DECD must give priority to businesses that are creating new jobs, and may give priority to those (1) in Connecticut's economic base industries (e.g., precision manufacturing and bioscience) or (2) attempting to export products or services. The DECD commissioner

must work with eligible applicants to create packages combining the loans or grants with assistance provided under other DECD programs.

***Related Bills***

sSB 961, favorably reported by the Commerce Committee, contains the same provisions as this bill and makes a few additional modifications to EXP, including (1) adding a regionally-administered component and (2) providing loan guarantees to small businesses in cities.

**COMMITTEE ACTION**

Commerce Committee

Joint Favorable Substitute

Yea 19 Nay 2 (03/19/2015)