

Small Business Express Program

By: Shaun McGann, Legislative Analyst II

March 31, 2020 | 2020-R-0031

Issue

Provide an overview of and recent data on the [Small Business Express \(EXP\) program](#). This report updates OLR Report [2014-R-0258](#).

Summary

The legislature created EXP within the Department of Economic and Community Development (DECD) in 2011 ([PA 11-1, October Special Session \(§ 1\)](#)). According to DECD, the EXP program's goal is to provide capital necessary to fuel small business growth.

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 ([CGS § 32-7g](#)). When awarding assistance, 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, business services, bioscience, green and sustainable technology, and information technology); (2) attempting to export products or services to foreign markets; and (3) located in CTNext-designated innovation places.

By law, EXP funding is available to eligible businesses in the form of a loan or a grant through three main components: the revolving loan fund, the job creation incentive fund, and the matching grant fund. (It appears that the department no longer provides grant funds.) Additionally, in accordance with [PA 16-128](#), DECD developed a minority business revolving loan fund to support the growth of small minority-owned businesses (i.e., small businesses owned by specified racial and ethnic

groups and women). [PA 17-219](#) allowed DECD to establish, in consultation with private lenders, a new EXP component composed 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. To date, DECD has not formally established this component.

In 2020, the governor proposed legislation ([HB 5007](#)) that generally would, among other things, eliminate DECD's authority to directly provide loans and grants to businesses and instead make EXP a bank-based lending program.

EXP Program Components

Revolving Loan Fund

Businesses that receive loans through the revolving loan fund may use the funds for construction, relocation costs (within the state), working capital, rent payments, machinery and equipment purchases, or other DECD-authorized business expenses.

Eligible businesses may receive loans ranging from \$10,000 to \$100,000 for a term of up to 10 years and a maximum 4% interest rate. DECD must determine loan terms, conditions, and collateral requirements in a manner that prioritizes job growth and retention. The department must give priority to applicants that, as a part of their business plan, are creating new jobs that will be maintained for at least a year ([CGS § 32-7g\(d\)](#)).

Job Creation Incentive Fund

Businesses that receive loans from the job creation incentive loan fund may use the funds for training, marketing, working capital, or other DECD-authorized business expenses that support job creation.

Eligible businesses may receive loans ranging from \$10,000 to \$300,000. Loans awarded from this fund have the same terms and conditions as those awarded from the revolving loan fund. Additionally, the DECD commissioner may allow deferred loan payments and forgive all or part of a loan based on a business's attainment of job creation goals ([CGS § 32-7g\(e\)](#)).

Matching Grant Fund

Businesses that receive grants under the matching grant program may use the funds for ongoing or new training, working capital, machinery and equipment purchases, construction, relocation costs (within the state), rent payments, and other DECD-authorized business expenses.

The program provides eligible businesses with grants ranging from \$10,000 to \$100,000. To receive a grant, a business must match the state award dollar-for-dollar. DECD must give priority to applicants it believes are likely to maintain job growth. Additionally, the DECD commissioner may waive the grant match requirement for small businesses located in a distressed municipality ([CGS § 32-7g\(f\)](#)).

Although the matching grant fund remains a statutorily authorized EXP component, it appears that DECD no longer awards matching grants to EXP applicants. Instead, it appears the department currently awards only the loans described above. More information is available in the department's [EXP Procedures and Guidelines](#) document.

Minority Business Revolving Loan Fund

The law allows for up to two minority business revolving loan funds (MBRLFs) to be established as part of EXP. An MBRLF must be administered by a minority business development entity that (1) has a lending portfolio from which at least 75% of lending is provided to minority-owned businesses statewide and (2) provides at least 75% of its technical assistance to minority-owned business statewide. EXP currently includes one MBLRF, administered by the Hartford Economic Development Corporation (HEDCO).

By law, DECD must provide HEDCO with \$5 million per fiscal year for five years (FYs 16-20) allocated from available EXP bond funding. HEDCO must use the funds to provide loans to eligible minority-owned businesses and to cover the loans' administrative costs (capped at 10% of the total amount of funds HEDCO receives from DECD). Within five years of the MBRLF's establishment, HEDCO must provide loans in a way that makes their annual investment income, loan repayments, or other revenue sources sufficient to cover the fund's administrative costs.

Permitted uses, amounts, and terms and conditions of loans awarded by HEDCO are generally the same as those awarded from the revolving loan fund. However, HEDCO may stipulate its own terms, conditions, and collateral requirements that prioritize job growth and retention (e.g., HEDCO requires that businesses be for-profit and that the business-owners not be more than 60 days delinquent on child support.) HEDCO must give priority to applicants that, as a part of their business plan, are creating new jobs that will be maintained for at least a year ([CGS § 32-7g\(g\)](#)).

Additionally, [PA 17-219](#) established a nine-member Minority Business Initiative Advisory Board to (1) advise the DECD commissioner about how to assist minority-owned businesses and (2) administer economic opportunity programs. It also required DECD to allocate, in FYs 18 and 19, a total of \$3 million in EXP funds to the board for its purposes.

Program Data

Table 1 shows aggregate data for EXP, including jobs created and funding awarded, from the start of the program until December 31, 2019. (Table 1 excludes MBRLF data.) Table 2 shows loans approved and funding awarded from the MBRLF from the start of the program until June 30, 2019.

Table 1: EXP Activity Through December 31, 2019

Number of Applications Received	3,829
Number of Businesses Funded	2,012
Jobs Created	8,501
Jobs Retained	22,153
Grand Total Created & Retained	30,654
Revolving Loan Fund Assistance	\$17,223,815
Job Creation Incentive Fund Assistance	\$201,766,609
Matching Grant Fund Assistance	\$113,071,925
Grand Total Assistance	\$332,062,349

Source: DECD Small Business Express Program Report, 2019

Table 2: MBRLF Activity Through June 30, 2019

Loans Approved	60
Total Assistance	\$4,107,000

Source: DECD Annual Report, 2019

SM:kl