

# Small Business Express Program and Connecticut Small Business Boost Fund

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November 2, 2023 | 2023-R-0016

## Issue

This report provides an overview of the (1) Small Business Express (EXP) program and (2) Connecticut Small Business Boost Fund, which is operated under the program. The report updates OLR Report [2020-R-0031](#).

## Summary

The legislature created EXP within the Department of Economic and Community Development (DECD) in 2011 with the goal of providing capital necessary to fuel small business growth ([PA 11-1](#), October Special Session, § 1). Previously, EXP funding was generally available to eligible businesses in the form a loan or grant through four main components: the revolving loan fund, the job creation incentive fund, the matching grant fund, and the minority business revolving loan fund (MBRLF), which was developed in accordance with [PA 16-128](#).

[PA 21-2](#), June Special Session, §§ 283–286, eliminated the job creation incentive and matching grant components. The act made various changes to EXP, generally increasing flexibility in the department’s administration of the program and allowing for increased participation by private lenders. Furthermore, the act makes it DECD’s goal that by July 1, 2026, EXP be self-funded and have a default rate of 20% or less for small businesses receiving assistance. Legislation enacted in 2022 specifically allows DECD to contract with nongovernmental entities (e.g., lending institutions and economic and community development organizations) in carrying out EXP ([PA 22-118](#), § 154, & [PA 22-50](#), § 1).

DECD currently operates the [Connecticut Small Business Boost Fund](#) under its EXP statutory authority, which gives small business owners access to flexible funding for capital expenditures and working capital and connects them with support services. Loans are provided by several local community lenders participating in the program.

## **EXP Program Components**

The law authorizes the following EXP components:

1. a revolving loan fund;
2. at least one MBRLF;
3. a private lender component operated in collaboration with Connecticut-based banks; and
4. a component operated in collaboration with Connecticut Innovations (CI), which may, among other things, provide assistance consistent with CI's powers ([CGS § 32-7g](#)).

However, according to its [2022 annual report](#) (see page 28), DECD is transitioning away from direct lending and now primarily operates EXP through the [Connecticut Small Business Boost Fund](#) (launched in 2023) and [MBRLF](#).

To be eligible for EXP financial assistance, a business must: (1) employ no more than 100 employees, (2) operate in Connecticut, and (3) be in good standing with all state and local tax payments and with all state agencies ([CGS § 32-7g\(a\)](#)).

### ***Connecticut Small Business Boost Fund***

Under this program, small businesses and nonprofits can borrow between \$5,000 and \$500,000 from certain participating local community lenders, depending on eligibility and need. Loan recipients can use this funding for equipment, payroll, utilities and rent, supplies, marketing and advertising, eligible refinancing, building renovations, and other expenses. Interest rates are currently fixed at 4.5% and recipients must repay their loans (1) over 60 months for loans less than \$150,000 or (2) over 72 months for those over \$150,000. Loans are not forgivable. To be eligible for a Boost Fund loan, the business or nonprofit must meet the general EXP eligibility requirements discussed above and have an annual revenue of less than \$8 million.

Small businesses and nonprofits interested in receiving a loan through the Boost Fund complete a pre-application questionnaire on the [Fund's website](#). Eligible borrowers are then matched with a community lender who provides (1) application assistance and (2) continued technical and

business support. (Current participating community lenders include: Ascendus, Capital For Change, Community Economic Development Fund, Hartford Economic Development Corporation (HEDCO), National Development Council, Pursuit, and Southeastern CT Enterprise Region.) Additional business support organizations are available to assist with pre-applications for the program.

### ***Minority Business Revolving Loan Fund (MBRLF)***

The law allows for at least one [MBRLF](#) 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 businesses statewide ([CGS § 32-7g\(d\)\(1\)](#)). EXP currently includes one MBRLF, administered by [HEDCO](#).

The law required DECD to provide \$5 million per fiscal year for five years (FYs 16-20), allocated from available EXP bond funding, for the MBRLF program. HEDCO must use these 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 received from DECD) ([CGS § 32-7g\(d\)\(2\)](#)). By law, within five years of an MBRLF's establishment, the administering minority business development entity 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 ([CGS § 32-7g\(d\)\(5\)](#)).

The fund provides term loans and lines of credit to eligible, small minority-owned businesses (i.e., those owned by specified racial and ethnic groups and women). These loans can range from \$10,000 to \$500,000 and may be used for capital expenditures and working capital. ([PA 21-2](#) increased the maximum loan amount, which was previously \$100,000.) By law, the maximum repayment rate of these loans is 4% for a term of up to 10 years. Additionally, the law (1) allows HEDCO to stipulate its own terms, conditions, and collateral requirements in a way that prioritizes job growth and retention and (2) requires it to prioritize applicants that, as part of their business plan, are creating new jobs that will be maintained for at least a year ([CGS § 32-7g\(d\)\(2-4\)](#)).

## **Program Data**

Data for the Small Business Boost Fund is not yet available. However, Table 1 shows aggregate data for EXP, including total funding awarded, jobs created and retained, and financial assistance per job, from the start of the program through DECD's 2022 annual report. Table 2 shows loans approved and funding awarded from the MBRLF from the start of the program until June 30, 2022.

**Table 1: EXP Financial Assistance per Job to be Created or Retained**

Total Assistance	\$314,063,879
Jobs Created & Retained	28,099
Financial Assistance per Job	\$11,177

Source: [DECD Annual Report, 2022](#)

**Table 2: MBRLF Activity Through June 30, 2022**

Loans Approved	120
Total Assistance	\$6,671,565

Source: [DECD Annual Report, 2022](#)

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