



## Determination of Business Assistance Awards

### 1. How were business development awards determined prior to 2019 (under Malloy administration)? What are your proposed changes to those procedures?

At this time we are still reassessing all of our programs and hope to make recommendations over the coming months to ensure all of our programs are transparent and work for all.

#### EXP

Per statute, for the Small Business Express program, any established small business may apply for funding so long as it:

- Employs not more than 100 employees;
- Has operations in Connecticut or is planning to relocate operations to Connecticut;
- Has been registered to conduct business for at least 12 months; and
- Is in good standing with the payment of all state and local taxes and with all state agencies.

#### Priority considerations

Businesses creating jobs in economic-based industries, particularly those involved in exporting, will receive priority. They include, but are not limited to, precision manufacturing, business services, green and sustainable technology, bioscience, and information technology sectors.

#### Eligible expenditures include:

- The purchase of machinery and equipment
- Construction
- Leasehold improvements
- Training
- Working capital
- Other business-related expenses approved by DECD's Commissioner

#### Additional Terms & Conditions

Applicants must speak with a bank about financing their project before submitting a Small Business Express application. Exceptions include companies located outside of Connecticut or in a foreign country that plan to relocate to Connecticut as part of the project. All applicants must meet with a DECD project manager prior to submitting an application.

#### Process:

Eligible companies are then asked to submit an application for the program which includes

- Generic Application (ownership information)
- Business Plan
- Project Description
- Project Financing Plan and Budget
- DRS clearance letter
- Last three years of financials
- Balance Sheet and Profit and Loss year to date
- Small Business Legal Structure Documents



This application is reviewed by our Office of Financial Review and Compliance. If everything is in order, the application is reviewed by an internal committee to decide if the company should be awarded funds. If the committee agrees to move forward, the company is issued a Letter of Intent and the application is then moved forward for a legal review and then ultimately funded.

#### MAA

DECD programs are aimed at growing the economy and retaining and creating jobs in the state. DECD performs due diligence on each applicant before a decision is reached on whether financial assistance will be provided. The (financial) due diligence process includes looking at the proposed project for which financial assistance is requested, jobs to be created and retained, the financial stability of the company and any legal actions that the company is involved with. The Office of Financial Review and Compliance (“OFR”) handles the financial due diligence and write-ups.

The Project Manager speaks with the client to understand the client needs. The conversation focuses on the client business plans and their financial projections for the future. The project manager then prepares a request for financial review and provides OFR with a completed Application and related attachments – a list of documents needed is in the Application.

The OFR Team reviews the documentation and provides written input and/or feedback that is shared with the Project Manager. The review includes information from various sources not limited to but including:

- 1) All application materials provided by the Project Manager (including financial statements, budget, business plan and project description).
- 2) Online CT Judicial review for cases that may involve the applicant or its members/officers. A review of the PACER platform, which supports the court cases of all U.S. states, is conducted for EXP applicants from outside of CT.
- 3) Review of Department of Labor data to confirm employment numbers.
- 4) Review of the Secretary of State website for registration information and UCC filings (Concord).
- 5) Google searches for any negative information on the company that could affect the funding decision.

After finishing the reviews the OFR representative prepares a summary (email) which contains the following:

- 1) A listing of the materials reviewed and a description of the project funding including the funds requested from DECD, the sources and uses of the funds and the current number of CT jobs at the company and the number of CT jobs to be created as a result of the project.
- 2) A description of the Company and the project.
- 3) Secretary of State filing information.
- 4) A summary of financial information including revenue, profit or loss, cash flow and the balance sheet.
- 5) Any liens presently against the company.
- 6) The DRS and DOL results.
- 7) A review of potential collateral.
- 8) Any other relevant financial information.



The second part of the email contains:

- 1) Findings and concerns relevant to the project.
- 2) Comments that could aid in the decision-making process.

The financial review is reviewed by the OFR manager and any additions or corrections are made and reviewed with the representative.

The review is then sent to the project manager and where applicable, the project manager reviews questions and concerns with the applicant and adds additional information/insights/responses to the write-up.

The financial review and the responses from the Project Manager and applicant are made available to management for a decision on the funding request. Once management agrees with a final deal structure and LOI is prepared for the commissioner/deputy commissioner.

## **2. What metrics are used to determine awards (job creation/retention, private investment, etc.)?**

The criteria DECD uses to determine financial assistance amounts is similar between the Express and MAA programs, but large MAA deals require additional analysis to measure economic impact.

EXP:

- Job creation and retention
- Financial ability to repay a loan
- Current on payment of taxes to DRS and DOL
- Collateral to secure the State's investment (ie: real estate, machinery & equipment, personal or corporate guaranties)
- Free from pending litigation
- Amount of private investment in the project

MAA:

- Job creation and retention
- Financial ability to repay a loan
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- Collateral to secure the State's investment (ie: real estate, machinery & equipment, personal or corporate guaranties)
- Free from pending litigation
- Amount of private investment in the project
- Long-term economic impact of the project. For projects over \$500,000, DECD uses an economic model (REMI Tax PI) to evaluate the proposed investment's rate of return to the State. DECD's decisions weigh heavily on the direct impact a project will have. This is a conservative approach that evaluates income coming to the State (ie: income taxes generated by new jobs, repayment of loans and any sales tax generated by the project) vs expenses to the State (cost of bonding, cost of tax credits and cost of grants). The model also evaluates the combination of the direct impact and indirect and induced impact which takes into account jobs that could be created



during construction, induced spending in the State as a result of the jobs, potential migration to the State for new jobs, government cost for infrastructure and schools, wage adjustments per industry as well as the income mentioned above.

**3. Jobs as a metric – how will the Department address lower-level workforce needs in the state through their bond programs?**

Our main program to address lower-level workforce needs in the state is the Small Business Express program as a significant number of clients served by this program are in the retail, hospitality, and other similar segments of the economy. We also leverage the Manufacturing Innovation Fund's Incumbent Worker Training program to retrain employees in new skills in the manufacturing industry.

**4. How are the claw back provisions determined for these awards?**

DECD's claw back options include the following:

- A financial penalty or interest rate increase if the company fails to meet its job goals.
- Loan or grant repayment if the company does not properly spend the funds in accordance with its approved project plan and budget.
- Repayment in full of the funding plus a financial penalty (usually 7.5% of funding received) if the company relocates from Connecticut during the term of its contract.
- Repayment in full of the funding plus a financial penalty (usually 5% of funding received) if the company goes into default during the term of its contract. Reasons for default may include failure to make pay debts, failure to maintain insurance and lack of adequate security.

**Reassessment of Programs**

**5. What programs is the Department currently reassessing?**

At this point the department is continuing to reassess all of the programs it currently offers to ensure they are transparent and work for all. In order to keep levels of debt down, we are in the process of doing a thorough examination of DECD's programs and hope to make recommendations in the coming months about which programs ones we believe should continue and which ones are no longer necessary including EXP and MAA.

**6. Which programs can be self-sustaining? EXP? MAA?**

None of the programs we currently offer can be self-sustaining. MAA specifically has too many legislative earmarks (over \$85 million). While there is potential for EXP to be self-sustaining, the program would have to be dramatically scaled back in order to do so. For instance, over the past 3 years the program has awarded an average of \$41 million per year but has only taken in an average of \$15 million in principal and interest payments per year.

**Other Questions**

**7. Can you discuss the various Brownfield remediation programs?**



There are two main dedicated Office of Brownfield Remediation and Development (OBRD) funding programs for brownfield remediation – the Remedial Action and Redevelopment Municipal Grant Program and the Targeted Brownfield Development Loan program. The maximum funding amount for a project is up to \$4 million. The Grant program as the name suggests is open to municipalities and municipal entities. The Targeted Brownfield Development Loan Program is available to non-municipal entities as well.

**a. What sites are expected to be remediated in the near future?**

OBRD selects projects for remediation funding through a competitive process. There are many sites currently in different phases of remediation that are being funded by the OBRD. The full list of all projects with executed contracts can be found at <https://data.ct.gov/Business/Department-of-Economic-and-Community-Development-B/t2xi-dmhg>.

**b. Does DECD coordinate with DEEP regarding brownfields?**

Yes, DECD works in close collaboration with DEEP regarding the various state brownfield policies, programs, funding decisions and initiatives.

**8. What is the normal time it takes to spend funds under the Manufacturing Assistance Act?**

It is hard to put a time frame on how long it takes to spend funds under the Manufacturing Assistance Act. Each deal is typically unique and can vary in structure. For instance, some deals contain upfront loans and grants that can be spent quickly while others use grants in arrears and do not receive the funds until after the jobs are created. For the latter, this could mean several years before all the funds are dispersed/spent.

**a. How much MAA funding is expected to be needed for deals that are in the pipeline now?**

\$104,862,074

**b. Is the unallocated balance sufficient to fund pending projects?**

No, due to earmarks for FY20/FY21 (legislative = \$45.1M; US Navy = \$12.7M). Adding in de-committed funds for grants/loans leaves a balance of \$59.6M against a pipeline of \$104.8M, a variance of (\$45.2M)

**c. MAA First Five – What is the status of this program?**

The First Five Plus program has assisted 19 companies to date. There is one additional slot remaining, however, per statute the slot will expire in June of this year.

**i. Are there remaining allocations required to fully pay the agreements made under this deal?**

Yes, there is approximately \$85 million, of which only \$16.5 million is un-bonded and included in Question #8a figure above .

**d. MAA Revolving Loan Fund – Are there funds available through the MAA Revolving Loan Fund that can support this program?**



Yes

**i. What is the balance available through this Fund?**

There is \$84,582,010 in the revolver balance alone; if you add in *anticipated estimated* cash flow (+\$21,025,010) and subtract out projected salaries (-\$7,249,288) the balance at the end of this calendar year will be \$98,357,761. This projected balance assumes \$0 allocations to pipeline projects from this account.

**9. What is the status of the Minority Business Enterprise Assistance Program?**

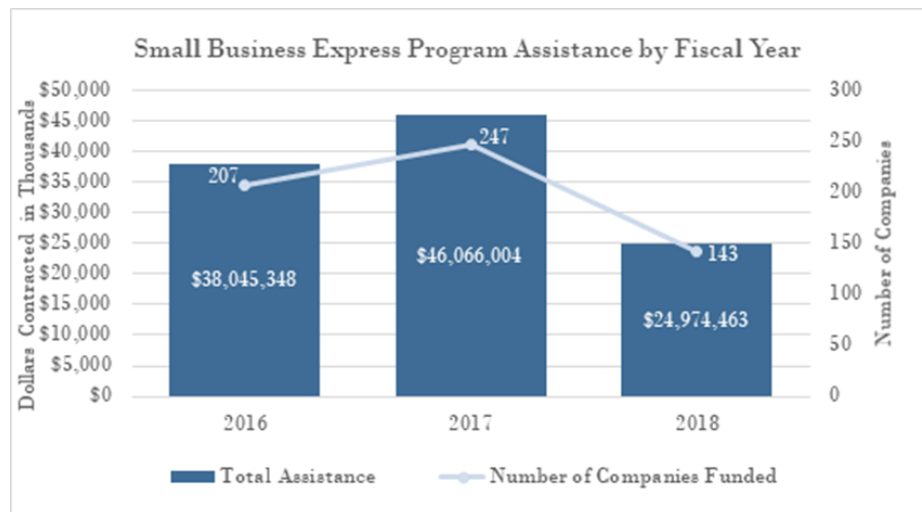
Since 2010, the program, which is administered by the Hartford Economic Development Corporation (HEDCO) has provided 101 contractors funding and technical assistance, creating 607 jobs and retaining 401 jobs. Out of the \$4 million the program has been allocated, to date they have received \$3 million and awaiting for the last \$1 million to be bonded.

Also, attached, please find an update on the Minority Business Initiative (MBI) which can be found in the second tab of the excel sheet titled "MBI Update."

**10. How has demand for the Small Business Express program changed, if at all, in the past few years?**

As bank credit has become more readily available some changes to the program have been made. Specifically, we are now ensuring all applicants go to a bank to see if they can get a private loan before coming to us. We also have moved the grant threshold from \$20,000 per job created, to \$10,000 per job created. While this has lowered the amount of companies we fund each year, we have been able to take advantage of this by targeting minority and women owned businesses as well as foreign direct

investment.



**11. Is the Connecticut Manufacturing Innovation Fund being phased out?**

No, we still have funds available to continue to run this program through FY19 if the current authorized unallocated funds of \$5 million get bonded.

**a. How long is the existing unallocated balance expected to last?**



The current unallocated balance will last partially through 2020.

**12. What are the major areas of assistance the department expects to use bonding to provide?**

*OFA Clarification: I think that was a very general question, looking for an overview of the Department's bond programs and how they differ from one another (for instance, MAA vs culture grants/good to great vs EXP vs minority business enterprise).*

While we are currently reassessing all of our programs, below is a list of our programs that leverage bond funding:

**MANUFACTURING ASSISTANCE ACT:** DECD's traditional loan tool offers direct financial assistance in the form of low-interest loans for projects where there is a strong economic development potential. Funding may be provided to any economic-based industry. Use of funds may include purchase of machinery and equipment, construction/leasehold improvements, inventory, relocation, training and other eligible project-related costs.

**SMALL BUSINESS EXPRESS PROGRAM:** The Small Business Express Program provides loans and grants to small businesses to support job creation and retention, encourage private investment and increase skill development. To be eligible, small businesses must be:

- Registered to conduct business for not less than 12 months
- In good standing with all state agencies and with the payment of all state taxes, and
- Employing no more than 100 employees

**MANUFACTURING INNOVATION FUND:** Connecticut supports the growth, innovation and progress of the advanced manufacturing sector through its \$75 million Manufacturing Innovation Fund (MIF). The MIF invests in loans and grants for business, industry and competitive initiatives to support Connecticut's manufacturers. The three main programs include:

- **Manufacturing Voucher Program (MVP):** The MVP helps Connecticut manufacturers finance innovative projects that will significantly improve productivity, efficiency and competitiveness in the global marketplace. Firms can obtain grants of amounts ranging from \$10,000 to a maximum of \$50,000, to be matched dollar for dollar. The MVP assists projects that are expected to achieve substantial and measurable improvements to the company's overall profitability and competitiveness.
- **Incumbent Worker Training Program (IWT):** The IWT offers Connecticut manufacturers a matching grant ranging from \$5,000 to \$50,000 to train their incumbent workers. This unique program can be used to build the skills required to meet current and emerging market needs; to bring technological innovation to the marketplace; and to help companies leap ahead in productivity and efficiency.
- **The Manufacturing Innovation Fund Apprenticeship program:** Provides incentives to increase the number of apprentices in manufacturing. Applicants may seek assistance in the form of a matching grant for wage subsidies, tuition reimbursement and competency testing. The funds do not need to be repaid, provided the applicant meets the deliverables and complies with the terms and conditions of the agreement.





**BROWNFIELD REMEDIATION FUNDING:** The Connecticut Office of Brownfield Remediation and Development puts together a customized solution for the unique challenges of each site: financial aid, liability relief, technical support and project management, and comprehensive permitting assistance and inter-agency coordination.

**THE GOOD TO GREAT GRANT PROGRAM:** This program funds capital projects initiated by not-for-profit arts, cultural, and historic organizations that connect art, history, and tourism to enhance visitors' experience of an arts/cultural venue and/or historic site. Eligible applicants are 501(c)(3)/501 (c)13 organizations that own or operate an arts/cultural venue or historic site in Connecticut and that promotes the art, culture and/or history of the state. This funding is targeted for small to medium-sized organizations with an operating budget of \$500,000 or less and that have received limited state funding in the last three years. The Department of Economic and Community Development (DECD) seeks applications that not only look beyond basic facilities repair, rehabilitation, or expansion but also towards new means of sharing and telling the stories of our state's rich history and culture in engaging, meaningful, and relevant ways. Funding will be prioritized for collaborative projects that demonstrate a clear vision of how individual sites and organizations can effectively tie together local, regional, or statewide cultural assets in ways that demonstrate measurable movement from "good" to "great"

**a. How are the bonded programs related to appropriated grants?**

*OFA Clarification: For the sub-question - they will want to know if the bond programs provide funds to organizations that are also getting appropriated grants. I expect that the culture grants and Grants-in-aid to nonprofit organizations sponsoring children's museums, aquariums, and science-related programs are the two most likely to have some appropriated and some bond funding, but am not completely sure if there are any organizations that get both.*

There is typically no relation between bonded programs and appropriated grants as organizations can be eligible for, and receive funds under multiple programs. Specifically the CT Office of the Arts offers the following funding opportunities to Connecticut 501(c)(3) arts organizations. These grant programs are competitive, with scoring criteria and are reviewed by a panel.

1. **Supporting Arts Grants:** Provide general operating support to arts organizations and municipal art departments. Grant amount is set by an organization's annual operating budget and range from \$1,000 to \$15,000.
2. **Arts Project Grants:** Fund arts-based projects of artistic excellence. Grant range between \$5,000-\$15,000. Applicants compete on a state-wide level.
3. **Regional Initiative Grants:** Fund small arts-based projects that are relevant to a community's current society, culture and trends. Applicants indicate the region of the state where they are located and are scored against other applicants from that same region vs. state-wide Arts Project grants. REGI Grants range between \$1,000 to \$4,000.
4. **New – Arts Learning: Presentation Grants:** Expose CT residents of all ages to the arts through art experiences, such as field trips, school or classroom visits, performances, lectures and/or demonstrations by artists or artist groups. Presentation Grants range from \$500 to \$1,000.





These above-mentioned grant programs do not support capital improvement projects. However, an arts organization that owns or operates an arts/cultural venue or historic site may also apply to the Good to Great grant program, administered by SHPO, to support capital improvement projects that transform the visitors' experience to these venues – making them go from “good” to “great”.