

January 19, 2022

# State Small Business Credit Initiative Update

Current status and near-term milestones

As you know, on Nov. 10, 2021, U.S. Treasury issued guidelines for states applying for the State Small Business Credit Initiative (SSBCI) reauthorized in the American Rescue Plan Act (ARPA). SSBCI allows Louisiana the opportunity to create or expand successful small business program models. This federal funding is made available to Gov. John Bel Edwards, who has designated Louisiana Economic Development (LED) for deployment via the Louisiana Economic Development Corporation (LEDC) to administer the program and disburse funds.

In the service of ongoing communication and full transparency, I wanted to share the latest information about the program's progress to date, and let you know what to expect next.

## **APPLICATION STATUS, NEXT STEPS AND PROGRAM GOALS**

SSBCI funds are federal dollars provided to support small business capital and technical assistance programs as a response to the economic effects of the COVID-19 pandemic. Included is specific guidance to support socially and economically disadvantaged individuals (SEDIs). SEDIs are defined as individuals whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities as compared to others in the same business area who are not socially disadvantaged.

U.S. Treasury will provide (authorize) funding to the Louisiana SSBCI program and direct the design and implementation of programs supporting new and existing small businesses. LED submitted the initial U.S. Treasury application in December. Our intention is to submit a final application by the Feb. 11, 2022 deadline. We have gathered broad stakeholder input, conducted executive review and received LEDC concurrence with the program's development and direction.

### **Louisiana SSBCI Goals include:**

- Increase access to investment and support for SEDIs.
- Increase program access and support for both debt and venture capital to SEDIs.
- Leverage more private investment and expand and improve upon existing debt programs, such as
  - ✧ Microloans
  - ✧ Collateral support
  - ✧ Loan guarantees
- Partner with Community Development Financial Institutions (CDFIs).
- Establish funding priorities to reflect current market needs.
- Increase pipeline of high growth scaleable startups in Louisiana.
- Promote Louisiana as a destination for startups.
- Expand and improve existing debt programs.
- Foster innovation through technology transfer and innovation research.
- Attract investment in Louisiana from national venture capital firms.
- Increase Louisiana's ROI potential.
- Enhance startup accelerator operations in Louisiana.

### **PROGRAM CATEGORIES**

U.S. Treasury has divided SSBCI programs into two categories: Capital Access Programs (CAPs) and Other Credit Support Programs (OCSPs).

A CAP is a loan portfolio insurance program. Whenever a lender makes a CAP loan, the borrower/lender contributes to a reserve fund held by the participating lender. Using SSBCI funds, the state then matches the combined contribution of the borrower/lender.

After evaluating the CAP initiative, LED concluded that OCSPs provided a more flexible, effective and efficient use of SSBCI funds. OCSPs provide direct support for small business lending and investment through collateral support programs, loan participation programs, state-sponsored venture capital programs, loan guarantee programs and other similar programs. These programs will be consistent with U.S. Treasury's emphasis on serving VSBs and SEDI entrepreneurs or SEDI-owned businesses.

Louisiana OCSP's that will receive SSBCI funding allocations directed by LEDC include:

- Louisiana Seed Capital Program
- Louisiana Venture Capital Program
- Louisiana MicroLoan Program
- Louisiana Small Business Loan Gnty Program
- Louisiana Collateral Support Program

Current rules are being modified to reflect updated U.S. Treasury requirements for the administration of each program. The LEDC Policy Committee reviews program rules and seeks LEDC Board of Director approvals. Adherence with the Louisiana Administrative Procedure Act (APA) will also be assured.

As per the direction of the Louisiana Economic Development Corporation (LEDC) Board of Directors, LED will work closely with Louisiana Community development financial institutions (CDFIs). CDFIs are private financial institutions that are 100 percent dedicated to delivering responsible, affordable lending to help low-income, low-wealth, and other disadvantaged people and communities allowing them to join the economic mainstream. CDFIs look to businesses who employ 50 or less full-time equivalent employees (FTEs) and have gross revenues of less than \$5 million as typical standards for borrower qualification.

## **TECHNICAL ASSISTANCE**

U.S. Treasury also may provide funding to Louisiana for technical assistance required to support the SSBCI program. Applications for technical assistance will be due on March 31, 2022. States are eligible to be applicants for technical assistance funding and must provide plans that address how they will administer legal, accounting and financial advisory services to very small businesses (VSBs) and SEDI-owned businesses applying for SSBCI capital programs or other state or federal small business programs. These services can be provided either directly or indirectly by contracting with legal, accounting, and financial advisory firms.

If applicable, state plans should also address how technical assistance funding may meet the needs of businesses with fewer than 10 employees (VSBs) and SEDI-owned businesses in different communities, including rural communities; communities undergoing economic transitions; communities impacted by the shift toward net-zero economy and deindustrialization; communities surrounding Minority-Serving Institutions (MSIs); or other underserved communities.

As of this writing, U.S. Treasury has not issued Technical Assistance application guidelines.

## NEXT STEPS, AND MORE INFORMATION

### Save these dates:

- Feb 10: Program update to LEDC Board of Directors.
- Feb 11: Submission of final SSBCI application to U.S. Treasury.
- March 31: Application for SSBCI technical assistance to U.S. Treasury.

LED Undersecretary Anne Villa, who is leading LED's SSBCI efforts, is your point of contact for any questions about SSBCI or any other finance and incentive program LED administers. She may be reached by email at [Anne.Villa@la.gov](mailto:Anne.Villa@la.gov) or by phone at 225.342.5395.

SSBCI represents an extraordinary opportunity for our state. I hope these occasional emails contribute to the communication and collaboration that are key to its success. However, if you prefer not to receive future SSBCI updates, including public hearing notices for program rules and related information about small business funding, you may opt-out by responding "unsubscribe" in the subject line.

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