

February 25, 2022

State Small Business Credit Initiative Update

Current SSBCI status and near-term milestones

RECAP

On Nov. 10, 2021, U.S. Treasury issued guidelines for states applying for the State Small Business Credit Initiative, which was reauthorized in the 2021 American Rescue Plan Act. 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. This 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. This newsletter, part of our ongoing commitment to communication and transparency, brings you up to date on the latest program developments since our last communication on Jan. 19, 2022.

APPLICATION STATUS

LED submitted the initial U.S. Treasury application in December. Louisiana's final application to Treasury, which incorporated broad stakeholder input, was made on Feb. 11, 2022. The application detailed Louisiana's SSBCI goals, which are to:

- Increase access to investment and support for SEDIs – socially and economically disadvantaged 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.
- 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 scalable 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.

Louisiana's preliminary allocation is \$74.2 million. Treasury has indicated that final approval of the application, which could raise that total to more than \$100 million, will take 30 to 60 days.

PROGRAM CATEGORIES | LEDC APPROVALS

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, whereby the borrower/lender contributes to a reserve fund held by the participating lender and the state uses SSBCI funds to match the combined contribution of the borrower/lender.

LED's application focuses on OCSPs, which offer a more flexible, effective and efficient use of SSBCI funds by providing direct support for small business lending and investment through collateral support programs, loan participation programs, state-sponsored venture capital programs, loan guaranty 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 Guaranty Program
- Louisiana Collateral Support Program

Current rules are being modified to comply with U.S. Treasury requirements for the administration of each program. The LEDC Board of Directors, which had previously approved changes to the Venture Capital and Seed Capital rules at its January meeting, approved changes to the Small Business Loan and Guaranty Program at its Feb. 10 meeting. On March 9, the LEDC policy committee will continue review of the Micro Loan Rules, and begin the review of the Collateral Support Program. The full board will vote on these rules at its March 10 meeting.

Once approved, all debt program rules will begin the promulgation process. 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), defined as 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.

SSBCI ‘ROAD SHOWS’

LED is collaborating with our partners around the state – regional economic development organizations and local chambers, small business development centers, equity firms, angel networks, CDFI’s and banks – to host informational events aimed at increasing access to SSBCI funds. Among the events that have taken place so far this month and scheduled for next, covering all eight regions of the state:

- **Feb. 15:** Capital Region (BRAC hosted)
- **Feb. 17:** North Louisiana Regions at LSU-Shreveport (BRF hosted)
- **Feb. 18:** Acadiana and Southwest Regions (LEDA hosted)
- **Feb. 22:** Greater New Orleans & Bayou Region (GNO, Inc. hosted)
- **Week of March 8:** Central Louisiana (CENLA to host)
- **March 15:** LED SSBCI Debt Programs Preview (BRAC to host)
- **March 22:** LED SSBCI Debt Programs Preview (National Coalition of 100 Black Women to host)

RFQ | TECHNICAL ASSISTANCE | FYI

The RFQ process for participation in either the SSBCI Venture Capital Programs and/or Micro Lending Program will open in March, with final selection for both in May. Anyone interested in learning more about the RFQ process should email SSCBI2@la.gov with contact information and a request to opt-in for a specific program.

Funding for technical assistance that is required to support the SSBCI program may be available to states that provide detailed plans addressing how they will administer legal, accounting and financial advisory services to very small businesses (VSBs) and SEDI-owned businesses that apply. These services can be provided either directly or indirectly by contracting with legal, accounting, and financial advisory firms. U.S. Treasury still has not issued technical assistance application guidelines, and has pushed the TA application deadline from March 31 to June 30, 2022.

LED Assistant Secretary Brenda Guess, who is leading LED's SSBCI efforts, is your point of contact for any questions about the program. She may be reached by email at Brenda.Guess@la.gov or by phone at 225.342.4315.

If you prefer not to receive future SSBCI updates, including public hearing notices for program rules and related information about small business funding, opt out by replying with "Unsubscribe" in the subject line.

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