



STATE OF VERMONT
JOINT FISCAL OFFICE

MEMORANDUM

To: Joint Fiscal Committee members
From: Sorsha Anderson, Senior Staff Associate
Date: November 16, 2021
Subject: Grant Request – JFO #3074

Enclosed please find one (1) item, which the Joint Fiscal Office has received from the Administration. This item is being held for the Joint Fiscal Committee meeting scheduled for Wednesday, November 17, 2021.

JFO #3074 – \$57,947,977.00 to the Agency of Commerce and Community Development, Dept. of Economic Development from the American Rescue Plan Act. Funds for a Small Business Credit Initiative to increase and expand programs designed to increase access to capital for small businesses.

[Received November 16, 2021]



State of Vermont
 Department of Finance & Management
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Agency of Administration

STATE OF VERMONT FINANCE & MANAGEMENT GRANT REVIEW FORM					
Grant Summary:		State Small Business Credit Initiative to increase and expand programs designed to increase access to capital for small businesses.			
Date:		11/12/2021			
Department:		ACCD – Economic Development			
Legal Title of Grant:		American Rescue Plan Act 2021-State Small Business Credit Initiative			
Federal Catalog #:					
Grant/Donor Name and Address:		U.S. Department of Treasury, 1500 Pennsylvania Avenue NW, Washington, D.C. 20220			
Grant Period:	From:	3/31/2022	To:	2/28/2028	
Grant/Donation		\$57,947,977			
	SFY 1	SFY 2	SFY 3	Total	Comments
Grant Amount:	\$19,122,832	\$19,122,832	19,702,312	\$57,947,977	(Difference in total is due to rounding.)
Position Information:		# Positions	Explanation/Comments		
Additional Comments:		AA-1 submitted prior to grant award due to US Treasury guidance and to improve chances of award (per Comm. Joan Goldstein).			
Department of Finance & Management			Adam Greshin	<small>Digitally signed by Adam Greshin Date: 2021.11.12 15:40:13 -05'00'</small>	(Initial)
Secretary of Administration			Kristin Clouser	<small>Digitally signed by Kristin Clouser Date: 2021.11.12 15:40:13 -05'00'</small>	(Initial)
Sent To Joint Fiscal Office					Date

Jason Aronowitz Digitally signed by Jason Aronowitz
Date: 2021.11.12 14:08:05 -05'00'



MEMORANDUM

To: Members of the Joint Fiscal Committee

From: Joan Goldstein, Commissioner, DED

Date: 11/12/2021

Re: AA-1-Grant Acceptance Form

This memorandum is to request approval of the attached State of Vermont Request for Grant Acceptance (AA-1 form) for the \$57,947,977.00 U.S. Treasury State Small Business Credit Initiative (SSBCI), to be allocated to Vermont. These federal funds are available through the American Rescue Plan Act of 2021, Title III, Subtitle C Section 3301 (ARPA). This request is made prior to the grant award due to a requirement in the Treasury Guidance dated November 10, 2021, which requires "the applicant to submit a short narrative statement from the governor of the state of the United States or governing official of the District of Columbia, territory, or Tribal government describing the actions that have been taken to delegate responsibility for the program and attaching any relevant documentation in support of that." 12 U.S.C. § 5703(b)(1) and (b)(2). ACCD has the power to delegate responsibility of the program to The Vermont Economic Development Authority (VEDA). VEDA was created and established as a body corporate and politic and public instrumentality of the State. 10 VSA § 213(a). Obtaining this pre-approval by the Governor and the Legislature now will increase the chance of the grant award.

Get permission

PREFACE:

The SSBCI program as laid out in Section 3301 of ARPA reauthorizes and amends the Small Business Jobs Act (SBJA) of 2010, which established the State Small Business Credit Initiative (SSBCI) program. The Act specifically describes how the programs shall be enacted, the limitations on the programs, and the various eligibility criteria, for example, \$4,142,176 is allocated for businesses with 10 or fewer employees, and \$1,713,801 for socially and economically disadvantaged individuals.

Applications for SSBCI capital programs must be initiated by December 11, 2021, and be completed by February 11, 2022. A complete application, with responses to all sections of the application, must be submitted by February 11, 2022, or the State of Vermont will not be eligible for SSBCI funding. Getting the JFC approval now to accept funds from Treasury upon their approval of our plan clears the way for us to submit a complete application to US Treasury. When these funds become available and are ultimately allocated to the State of Vermont, the funds must be used for: small business financing programs, which includes capital access programs, loan participations, loan guarantees, collateral support, and venture capital fund programs.

The Plan: The Department of Economic Development (DED) within ACCD, would be the designated entity to accept funds from the US Treasury, then would sub grant the funds to VEDA, who will utilize a portion of the funds for loan products and would subsequently sub contract to investment managers to carry out the requirements and objectives of the investment capital program.

PROPOSED DISTRIBUTION:

Debt Program

VEDA plans to allocate 50% of the SSBCI funding toward a loan participation program, similar to the use of funds in the first SSBCI program, where VEDA successfully utilized over \$13 million.

Subject to the Treasury guidance, the loan participation program will be open to all VEDA's current lending areas, to include Agriculture, Commercial, Small Business, Technology, and Energy. The funding will allow VEDA to make loans at either a higher risk level, or lower interest rate, than typically available based on their usual source of funding & capital available.

VEDA will generally take a subordinate position to a bank, bridging the gap between bank debt and available borrower equity.

VEDA would also plan to make funds available to the Vermont based Community Development Finance Institutions (CDFIs) as needed to assist with any loan demand they have beyond traditional funding sources.

Investment Capital Program

According to the Center on Rural Innovation (CORI), less than 1% of all venture capital goes to rural startups. This gap has significant consequences due to the ability of entrepreneurship to spark economic growth. SSBCI is a once in a generation opportunity to make sure that Vermont's innovative entrepreneurs have access to the capital they need to grow. Many of these companies do not qualify for traditional debt financing programs therefore we are proposing allocating half of the SSBCI funds to investment capital programs.

VEDA plans to allocate the remaining 50% to investment capital programs. VEDA has been working with the Vermont Center for Emerging Technologies (VCET) an independent non-profit since 2010 to manage the Vermont Seed-Capital Fund. The team at VCET continues to manage the Vermont Seed-Capital Fund on behalf of VEDA and for example could manage an additional \$15 million of the SSBCI investment capital program based on current appetite for investment. The VCET team is experienced and very well known throughout Vermont's innovation ecosystem. VCET employs experienced venture capital investors who can meet the goals of this federal program.

Based on Treasury guidance, VEDA would run a public Request for Proposal (RFP) process to identify and contract with one or more private investment capital managers to manage the \$28,973,988.50 allocation. The intent is to diversify the management of the funds and to explore funds that would focus on social impact and underserved business owners.

Investment capital will help support the early-stage growth of companies across a wide spectrum of sectors, including, but not limited to, AgTech, Aerospace, Clean Energy, Consumer Food/Beverage, FinTech, MedTech, and many more. Startups in these industries are often unable to finance the new venture through traditional debt products. The investment capital program helps fill that gap and will support the future industries of Vermont.

Administration of the SSBCI Funds:

SSBCI administrative costs are defined and governed by the Uniform Cost Principles in 2 C.F.R. Part 200 Subpart E. The Uniform Cost Principles contain criteria that must be used to establish chargeable administrative costs and specific information on allowable costs in various cost categories.

Administrative costs are capped by statute (see 12 U.S.C. § 5702(c)(3)(C)-(D)). Specifically, for the first tranche, the administrative costs are not to exceed 5 percent of SSBCI funds, and for the second or third tranche, the administrative costs are not to exceed 3 percent for the respective tranche.

STATE OF VERMONT REQUEST FOR GRANT (*) ACCEPTANCE (Form AA-1)

BASIC GRANT INFORMATION				
1. Agency:	ACCD			
2. Department:	Dept. of Economic Development			
3. Program:	State Small Business Credit Initiative			
4. Legal Title of Grant:	American Rescue Plan Act 2021-State Small Business Credit Initiative			
5. Federal Catalog #:				
6. Grant/Donor Name and Address: U.S. Department of Treasury, 1500 Pennsylvania Avenue NW, Washington, D.C. 20220				
7. Grant Period:	From:	3/31/2022	To:	2/28/2028
8. Purpose of Grant: Section 3301 of the American Rescue Plan Act of 2021 provides direct funds to States pursuant to the State Small Business Credit Initiative to increase and expand programs designed to increase access to capital for small businesses.				
9. Impact on existing program if grant is not Accepted: VEDA will not be able to build on successful models for small business financing programs, including collateral support programs, Other Credit Support Programs(OCSP), Capital Access Programs (CAPs) and loan guarantee programs without this grant. This gives VEDA the opportunity to increase its programming with out having to borrow funds in order to provide financing for small businesses of Vermont.				
10. BUDGET INFORMATION				
	SFY 1	SFY 2	SFY 3	Comments
Expenditures:	FY 22	FY 23	FY 24	
Personal Services	\$350,000*	\$	\$	
Operating Expenses	\$ 50,000	\$	\$	As per guidance, outreach and events will be required
Grants	\$18,722,832	\$19,122,832	\$19,702,312	
Total	\$19,122,832	\$19,122,832	\$19,702,312	may not be in 3 consecutive years: dependent upon uptake of first tranche.
Revenues:				
State Funds:	\$	\$	\$	
Cash	\$	\$	\$	
In-Kind	\$	\$	\$	
Federal Funds:	\$	\$	\$	
(Direct Costs)	\$19,122,832	\$19,122,832	\$19,702,312	33% First Tranche; 33% Second Tranche; 34% Third Tranche

STATE OF VERMONT REQUEST FOR GRANT (*) ACCEPTANCE (Form AA-1)

(Statewide Indirect)	\$	\$	\$
(Departmental Indirect)	\$	\$	\$
Other Funds:	\$	\$	\$
Grant (source)	\$	\$	\$
Total	\$	\$	\$

Appropriation No:	7120010000	Amount:	\$19,122,832
			\$
			\$
			\$
			\$
			\$
			\$
		Total	\$19,122,832

PERSONAL SERVICE INFORMATION

11. Will monies from this grant be used to fund one or more Personal Service Contracts? Yes No
 If "Yes", appointing authority must initial here to indicate intent to follow current competitive bidding process/policy.

Appointing Authority Name: Joan Goldstein *RFP for audit/compliance contract
 Agreed by: _____ (initial)

12. Limited Service Position Information:	# Positions	Title
Total Positions		

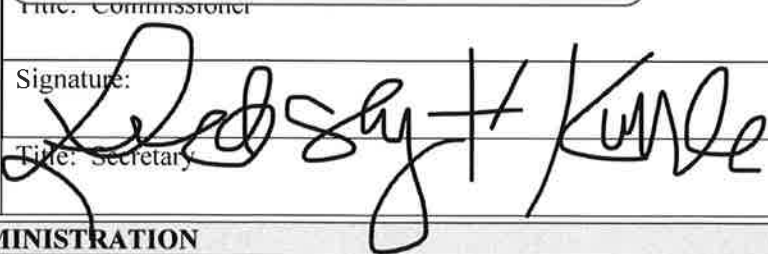
12a. Equipment and space for these positions: Is presently available. Can be obtained with available funds.

13. AUTHORIZATION AG

APPROVED
 By Joan Goldstein at 11:14 am, Nov 12, 2021

I/we certify that no funds beyond basic application preparation and filing costs have been expended or committed in anticipation of Joint Fiscal Committee approval of this grant, unless previous notification was made on Form AA-1PN (if applicable):

Title: Commissioner

Signature:  Date: 11/16/21

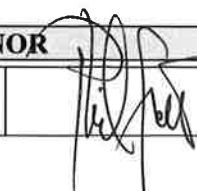
Title: Secretary

14. SECRETARY OF ADMINISTRATION

Approved: _____ (Secretary or designee signature) Kristin Clouser Date: _____

Digitally signed by Kristin Clouser
Date: 2021.11.15 11:03:04 -05'00'

15. ACTION BY GOVERNOR

Check One Box: Accepted  Date: 11/16/21

STATE OF VERMONT REQUEST FOR GRANT (*) ACCEPTANCE (Form AA-1)

<input type="checkbox"/>	Rejected	(Governor's signature)	Date:
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16. DOCUMENTATION REQUIRED

Required GRANT Documentation	
<input type="checkbox"/> Request Memo <input type="checkbox"/> Dept. project approval (if applicable) <input type="checkbox"/> Notice of Award <input type="checkbox"/> Grant Agreement <input type="checkbox"/> Grant Budget	<input type="checkbox"/> Notice of Donation (if any) <input type="checkbox"/> Grant (Project) Timeline (if applicable) <input type="checkbox"/> Request for Extension (if applicable) <input type="checkbox"/> Form AA-1PN attached (if applicable)

End Form AA-1

(*) The term "grant" refers to any grant, gift, loan, or any sum of money or thing of value to be accepted by any agency, department, commission, board, or other part of state government (see 32 V.S.A. §5).