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2011 Innovations Awards Application

DEADLINE: MARCH 28, 2011

ID # (assigned by CSG): 2011- _____

Please provide the following information, adding space as necessary:

State: New York

Assign Program Category (applicant): Infrastructure and Economic Development

1. Program Name – Small Business Revolving Loan Fund
2. Administering Agency – Empire State Development
3. Contact Person – Laura Magee, Public Affairs Specialist
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5. Telephone Number – 716-846-8239/1-800-260-7313
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7. E-mail Address – lmagee@empire.state.ny.us
8. Web site Address - <http://esd.ny.gov/>
9. Please provide a two-sentence description of the program – The Small Business Revolving Loan Fund is a \$50 million fund designed to create economic activity by providing greater access to capital for main street everyday small businesses. The program is targeted to minorities, women and other New Yorkers who have difficulty accessing regular credit markets.
10. How long has this program been operational (month and year)? In July 2010, the Governor announced the creation of the Small Business Revolving Loan Fund. In November 2010, \$25 million in State allocations were released in combination with \$25 million in additional private matching funds from the selected lending institutions.
11. Why was the program created? What problem[s] or issue[s] was it designed to address? The Governor’s Small Business Task Force identified this vital need and initially proposed the creation of this program. Over the past four years, bank small business lending under \$250,000 has decreased by 60 percent in number of loans and 48 percent in dollar terms. This fund will provide low-interest loan capital to alternative lenders – community development financial institutions, credit unions and small business lending consortia – to address the small business credit crisis and get millions of dollars into the hands of small businesses quickly. These alternative lenders have a history of serving businesses experiencing difficulty accessing traditional credit markets; they offer more flexible underwriting and often provide other technical assistance to help businesses stabilize and grow.
12. Describe the specific activities and operations of the program in chronological order.
 - ESD initiated a Request for Proposals (RFP) process to award low interest loans to community development financial institutions (CDFIs) and other local community-based lending organizations in order to provide capital loans to small businesses throughout New York State.
 - Eligible lending organizations must demonstrate expertise in analyzing small business applications, evaluating creditworthiness and monitoring program loans. Qualifying lenders will be required to conduct application reviews to determine feasibility, likelihood of repayment and potential that the loan will generate economic development and jobs in New York State.

- Small retail, service and manufacturing businesses across New York State are eligible to apply. New startup businesses may qualify if they meet certain criteria such as having a viable business plan backed by collateral and a record of success.
 - Program loans to small businesses are to be used for the creation and retention of jobs. Funding may be used for working capital, acquisition and or improvement of real property, the acquisition of machinery and equipment, property improvement, or the refinancing of debt obligations. A small business is defined as resident in New York State, independently owned and operated, not dominant in its field, and with one hundred or fewer employees. Funds may not be used for the relocation of any business from one municipality within the State to another, except when the business is relocating within a municipality with a population of at least one million and the governing body of each municipality approves such relocation.
 - Program funds used to finance an applicant loan will not be more than 50% of the principal amount and no greater than \$125,000. There will be two categories of loans: Micro-Loans –principal amount less than \$25,000 and Regular Loans - principal amount greater than \$25,000
 - Lending organizations are required to submit annual reports to ESD stating the number of program loans made, the amount of program funding used for loans, the use of loan proceeds by the borrower, the number of jobs created or retained, a description of economic development generated, the status of each outstanding program loan, and other organizational and loan portfolio information.
 - ESD is authorized to conduct audits in order to ensure program compliance and to recapture program funds from lending organizations terminated from the program.
13. Why is the program a new and creative approach or method? It is no secret that New York’s small businesses have felt the enormous credit crunch and limited access to credit during this period of recession. At the recommendation of the Small Business Task Force, the Governor created the Small Business Revolving Loan Fund to address the needs of the small business community and promote its growth and development. This fund is concrete evidence that a government can take a good idea and implement it in a timely fashion to leverage private investment to grow our economy and create jobs.
 14. What were the program’s start-up costs? (Provide details about specific purchases for this program, staffing needs and other financial expenditures, as well as existing materials, technology and staff already in place.) The 2010-11 New York State Budget provided \$25 million in state funds and will leverage at least \$25 million in private matching funds. No new staffing or technology is required to start the program.
 15. What are the program’s annual operational costs? \$25 million in state funds.
 16. How is the program funded? The 2010-11 New York State Budget provided \$25 million in state funds and will leverage at least \$25 million in private matching funds.
 17. Did this program require the passage of legislation, executive order or regulations? If YES, please indicate the citation number. It required passage of the 2010-11 State Budget.
 18. What equipment, technology and software are used to operate and administer this program? n/a
 19. To the best of your knowledge, did this program originate in your state? If YES, please indicate the innovator’s name, present address, telephone number and e-mail address. YES – Recommendation of the Governor’s Small Business Task Force – a task force of nearly 60 individuals with William Grinker serving as chairman.
 20. Are you aware of similar programs in other states? If YES, which ones and how does this program differ? NO
 21. Has the program been fully implemented? If NO, what actions remain to be taken? YES – The Governor announced in November 2010 allocations from the state’s new Small Business Revolving Loan Fund to community development financial institutions and other community-based lending organizations statewide. The will provide \$50 million in loans to small businesses across New York State over the next two years.
 22. Briefly evaluate (pro and con) the program’s effectiveness in addressing the defined problem[s] or issue[s]. Provide tangible examples. In November 2010, the Governor and ESD selected 20 organizations for this program (including: Adirondack Economic Development Corporation, Brooklyn Federal Credit Union, Pathstone Enterprise Center, Seedco Financial Services, Syracuse Cooperative Federal Credit Union, etc.). All participating lending organizations are required to submit regular reports and will be monitored by Empire State Development to ensure high performance and aggressive lending activity. It is expected that by providing low cost capital to community development credit unions and non-profit loan funds, the state will help to ensure that small business can continue to be an engine of recovery and growth in communities where it is most needed.

23. How has the program grown and/or changed since its inception? No.
24. What limitations or obstacles might other states expect to encounter if they attempt to adopt this program?
None known.

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2011 Innovations Awards Application Program Categories and Subcategories

Use these as guidelines to determine the appropriate Program Category for your state's submission and list that program category on page one of this application. Choose only one.

Infrastructure and Economic Development

- Business/Commerce
- Economic Development
- Transportation

Government Operations and Technology

- Administration
- Elections
- Information Systems
- Public Information
- Revenue
- Telecommunications

Health & Human Services

- Aging
- Children & Families
- Health Services
- Housing
- Human Services

Human Resources/Education

- Education
- Labor
- Management
- Personnel
- Training and Development
- Workforce Development

Natural Resources

- Agriculture
- Energy
- Environment
- Environmental Protection
- Natural Resources
- Parks & Recreation
- Water Resources

Public Safety/Corrections

- Corrections
- Courts
- Criminal Justice
- Drugs
- Emergency Management
- Public Safety

Save in .doc or rtf. Return completed application electronically to innovations@csg.org or mail to:

CSG Innovations Awards 2011
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This application is also available at www.csg.org.