



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 922

PRINTER'S NO. 1138

PRIME SPONSOR: Shusterman

COST / (SAVINGS)

FUND	FY 2022/23	FY 2023/24
General Fund	\$0	\$0

SUMMARY:

House Bill 922, Printer's Number 1138 amends Title 64 (Public Authorities and Quasi-Public Corporations) by updating the Second Stage Loan Program, administered by the Commonwealth Financing Authority (CFA), to expand eligibility and adjust loan guarantees to market conditions. This act would take effect in 60 days.

ANALYSIS:

The Second Stage Loan Program provides loan guarantees to eligible applicants that make loans to life sciences, advanced technology, or manufacturing businesses located within the commonwealth. The program exists to provide businesses in the applicable fields that have existed for more than two years but less than seven years the ability to obtain working capital during their early operational years. The program will provide guarantees in the aggregate amount not to exceed \$50 million, and to date has committed \$3,360,000 with \$46,640,000 remaining available.

This legislation adds language to clarify that loans must be made to eligible applicants located within the commonwealth; requires applications include a statement demonstrating that the use of the loan proceeds will result in jobs being created or retained in the commonwealth, as well as an estimate of the number of anticipated new or retained jobs; requires a statement that the borrower's business is located within the lender's service area within the commonwealth; and removes the stipulation that the borrower must exist for less than seven years.

The bill also eliminates language that limited the CFA's ability to set maximum guarantee amounts. HB 922 gives the CFA authority to determine the maximum guarantee amount based on a percentage of the outstanding principal amount of the loan, which allows the CFA to adjust the percentage of the guarantee based on market conditions. The CFA shall determine the maximum guarantee based on a percentage of the outstanding principal amount of the loan, which shall terminate at the end of seven years.

FISCAL IMPACT:

There is no anticipated fiscal impact due to the program revisions contained in HB 922, PN 1138.

The Department of Community and Economic Development already provides staff services to the Commonwealth Financing Authority through a memorandum of understanding. Claims on loan guarantees are paid from interest earnings and the CFA believes it is unlikely that the authority would be unable to cover claims in the future regardless of these changes.

PREPARED BY: Chris Fetterman
House Appropriations Committee (D)

DATE: May 22, 2023

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.