

RFP Conference Questions:

- 1) What ownership metric do we use to qualify “minority, women, etc. owned businesses”? Is it based on the founders, the c-suite, or the entire team? What fraction of the above needs to be in this category to qualify? For example, if there are three founders one of whom satisfies the definition, will that be sufficient to qualify the business?

DECD’s definition of a minority owned business is guided by state statute, which is a business having at least 51% ownership by one or more minority person(s) who exercise operational authority over daily affairs of the business, have the power to direct management and policies, and receive the beneficial interests of the business. A minority means: (1) Black Americans, including all persons having origins in any of the Black African racial groups not of Hispanic origin; (2) Hispanic Americans, including all persons of Mexican, Puerto Rican, Cuban, Central or South American, or other Spanish culture or origin, regardless of race; (3) all persons having origins in the Iberian Peninsula, including Portugal, regardless of race; (4) women; (5) Asian Pacific Americans and Pacific islanders; (6) American Indians and persons having origins in any of the original peoples of North America and maintaining identifiable tribal affiliations through membership and participation or community identification; or (7) an individual with a disability.

- 2) One and 1/2 inch line formatting?

Certain standard formatting guidelines were established to ensure consistency among the different proposals. However proposals will not be rejected based solely on following these guidelines.

- 3) I thought this program included investment in early stage companies via debt or equity but it seems that the final RFP is limited to services and loans. Is that correct?

DECD’s goal is to provide flexible access to capital to support the state’s small businesses. It’s up to the individual lenders to determine what their model comprises, including any one or combination of equity, loans, or grants.

- 4) Is program open to lending institutions outside of CT?

Yes, but the institution must have or obtain the necessary regulatory approvals to legally operate as a lender in the state by the time the contract is awarded. In order to ensure adequate support for Connecticut businesses, out-of-state institutions may consider partnering with an organization located within Connecticut and/or an organization that understands the state’s business landscape and has a working relationship with the small businesses community.

- 5) If you have a program that’s focused on Hartford County, should your program continue to focus on Hartford, or should it have a plan to expand to the rest of the state or should the proposal be focused on the entire state?

The vision for the program is statewide, however, if your organization’s niche is Hartford County then you could propose a program focused on Hartford County. Again, stressing the importance of

cooperation, you could form a partnership with an organization whose reach is statewide, thereby improving the scope of the total proposal.

- 6) Please define the use of the term “self-sustaining”. Does it apply strictly to the program as a self-contained classification within a contracting organization’s financials or to the contracting organization as a whole?

The vision is that programs outlined in each proposal be self-sustaining by July 1, 2026. DECD is investing, or co-investing, in a new fund and the expectation is that fund will self-sustain itself, i.e. a revolving fund that covers administration expenses and funds additional investments within that time frame. The term self-sustaining pertains to the program itself, rather than to individual small businesses which may be supported by the program.

- Please clarify “jobs retained”. Will the department use a “but for test” to determine if a job has been retained (i.e. but for the Small Business Support Program the job would be lost)?

Once the contract is awarded, the definition of retained jobs will be part of the negotiation process.

- Please define the term “default” as it applies to loan portfolios to create a uniform measure and to differentiate default status from that of delinquent status (i.e. loan 30 – 119 days past due = delinquent; loans 120+ days past due = default).

Once the contract is awarded, definitions of certain terms, such as default, will be part of the negotiation process. DECD will provide further guidance on performance metrics with a standardized excel form later on in the process.

- Is any additional information required in the LOI beyond a proposer’s contact information?

The LOI is not mandatory but encouraged to let DECD know you intend on submitting a proposal. No information beyond what is asked for in the RFP is necessary.

- Please provide a list of “distressed communities.”

The list of distressed municipalities can be found on DECD’s website: 2020 Distressed Municipality list - https://portal.ct.gov/DECD/Content/About_DECD/Research-and-Publications/02_Review_Publications/Distressed-Municipalities. This list will be replaced by the 2021 list in the coming weeks.

- 7) Can you give us a few examples of a collaboration between a TA provider and a non-bank lender?

One example could be a community lender partnering with another local organization on the technical side. The entity submitting a proposal must be able to lend money. Then they can partner with an organization that can focus on technical assistance, such as providing pre and post loan counselling, helping clients with applications, or supporting clients in developing business modeling and budget proposals.

8) Will CT applicants have preference over out of state funders?

No, every respondent will be judged on the merit of its proposal and how it is evaluated against the rubric DECD is using.

9) Please provide further clarification of the statement “All proposed costs must be fixed through the entire term of the contract”. (page 23 – Proposed Costs). Does this prohibit cost escalation within a proposal to account for portfolio growth over time? Does this prohibit shifting costs between line items as programs evolve over time?

If proposed program costs must be adjusted due to unforeseen circumstances, budget amendments can be requested and will be entertained if the justifications holds merit.

- Are there limitations on interest rates (minimum/maximum) or other fees charged to businesses in debt transactions (such as origination fees) or in near equity/patient capital transactions (such as success fees)? Are there limitations on use of proceeds? Length of term? Length of amortization? Balloon payments?

There are no limitations on program parameters such as interest rate, terms, amortization, use of proceeds, balloon payments or fees. It's up to the organization to propose a program and tell DECD what's needed and how its model will accomplish the stated objectives.

- How will funding be disbursed over the five year term?

Disbursement of funds will depend on Bond Commission approval. However, up to \$125 million is expected to be available. As an example, we could fund up to five programs at the minimum of \$25 million per year through this RFP.

- Will principal from debt or equity repayment be returned to the state or retained by the proposer as donor restricted funds to revolve in perpetuity?

Use of principal is at the discretion of individual organizations as reflected in their proposals.

10) For how long will program funds and associated metrics be monitored?

Metrics will be monitored for the life of the program. By statute DECD must submit annual reports to the General Assembly, so for at least 5 years monitoring will be conducted.

11) Is this intended for municipalities? If not, can a municipality be a partner?

This RFP is directed at lending institutions providing access to capital for small businesses. Municipalities may partner with a lending institution to provide technical assistance.

12) If out of state companies apply and DECD is “recommending” partnerships with in-state organizations - is there a ranking/point system if they do not comply?

There is no requirement for an out-of-state lender to collaborate with an in-state technical partner. It is being suggested as one way of accomplishing the objectives of the program. No preference will be given to outside organizations that do or do not partner with Connecticut-based organizations.

13) If more than one organization is chosen, how will the allocation of funds be determined?

The allocation of funds will be determined based on the vendor’s proposal and its capacity to meet the deliverables.

14) Can one entity submit two applications that cover different geographic areas and/or collaborations?

A financial institution can only submit one proposal. Technical assistance organizations can be a partner on multiple proposals, and DECD will evaluate if they have the capacity to serve multiple programs and still meet the deliverables.

15) Can an organization be part of more than one collaboration?

See above answer.

16) Should we assume all aspects of the proposal – for example, technical assistance – will be self-sustainable based on an award?

Yes, the goal is for all aspects of the program to be self-sustaining by July 1, 2026.

17) This might be determined during the negotiation phase, but: will the principal and interest payments need to be paid back to the State, similar to the Small Business Express program?

Not necessarily, as this program is different from Small Business Express. These details should be part of an organization’s proposal, and then DECD will negotiate with organizations on selected proposals.

18) Is the distress community list different from the Targeted Investment Community and Public Investment Communities as defined in statute?

The 2020 Distressed Municipality list can be found at- https://portal.ct.gov/DECD/Content/About_DECD/Research-and-Publications/02_Review_Publications/Distressed-Municipalities. We expect a new list to be posted on our website in the coming weeks.

19) Please describe the evaluation rubric!

The evaluation criteria is as follows: details of proposed program; value proposition, including sustainability and private capital; organizational qualifications and experience; project management, evaluations, and continuous quality improvement; and diversity, equity, and inclusion considerations. The RFP contains a number of questions in each category and certain percentages are assigned to each category. All proposals will be evaluated and scored based on the answers to these questions.

20) So it sounds like you're looking for innovative and creative ideas – how many grants do you anticipate making?

The number of awards will depend on the size, scope, and the number of proposals that are positively evaluated. Up to \$125M total is available for all funding, which may be disbursed in many different configurations.

21) You skipped my question. Is the distress community list different from the Targeted Investment Community and Public Investment Communities as defined in statute?

The 2020 Distressed Municipality list can be found at- https://portal.ct.gov/DECD/Content/About_DECD/Research-and-Publications/02_Review_Publications/Distressed-Municipalities. We expect a new list to be posted on our website in the coming weeks.

22) Regarding the proposed program's requirement that at least 50% of the funding be directed to minority-, woman-, disabled-, and veteran-owned businesses, and businesses located in distressed municipalities. Will this be measured by number of loans or dollars lent?

DECD will measure performance on this requirement based on the total amount lent.

23) Can a community lender be both the lead and a partner on two or more separate RFP proposals?

No, a community lender can only be the lead on one proposal as the lending institution. However, that organization could provide technical assistance in partnership with another lender who would serve as the lead applicant on another proposal. DECD will evaluate if that organization has the capacity to serve multiple programs and still meet the deliverables.

24) Clarification requested on Public Act No. 21-2 Section 283, part 32-7g a: "the default rate of small businesses that receive assistance under said program be not more than twenty per cent."

- Is the Loan default rate considered the percentage of outstanding loans charged off after collection attempts are exhausted? If not, please define.

A default rate of no more than 20% is a goal for proposed programs. DECD considers an account to be in default once it is 90 days past due and has received no response from the client. However a definition of the default rate for selected programs will be subject to negotiations.

- Does the requirement apply to each proposer/contractor or to the entire \$125,000,000 program as a whole?

Each program will be evaluated based on each organization's own portfolio.

- What is the consequence to a proposer/contractor if the default rate is greater than 20%?

The statutory language sets the default rate as the goal of DECD in administering the program. We will evaluate proposals in part based on how likely they are to meet this goal.

- Is the requirement applicable to the five year period of the contract or beyond?

It's applicable to the term of the loan.

- 25) Small Business Support Programs RFP Section C: Scope of Service Description: Confirm that private sector capital, also defined as non-state funding in the RFP, does not exclude federal funding source, local philanthropic funding, cash reserves or equity investments.

DECD's definition of non-state funding does include the sources referenced in the question. However program sustainability is a key goal. Because federal funding cannot be relied upon over long periods of time, it's strongly encouraged that proposed programs maximize private-sector capital such as corporate foundations and other philanthropic funding sources.

- 26) Are municipalities permitted to be proposers and/or partners in a proposal?

Municipalities are not permitted to be proposers but may partner in a proposal.

- 27) Will sample contracts or contract language be available for the proposer to review prior to selection?

No sample language or contracts will be available for review.

- 28) Will final approved/selected proposals be available for review by the proposers chosen so all participants in the Small Business Support Program are cognizant of what the State and their chosen partners are planning on accomplishing throughout the State of CT?

All approved programs will be posted on DECD's website.

- 29) May more than one lender be included in a proposal, allowing the small business loans to be spread across multiple lenders working together or across affiliated lenders?

Yes, multiple lenders may be included in a proposal.

30) May a proposer make a modification to the selected partners during the five year contract, taking advantage of opportunities/new partners in the small business eco-system and/or eliminating a partner that is not fulfilling the required outcomes?

Yes, proposers may make modifications during the five-year contract period if it becomes necessary.

31) If grant funds are requested/secured through this contract, must they be matched by the small business receiving them?

It's up to the individual organizations to determine if grant funds will be made available in their proposed programs and whether those funds would require a match from the business.

32) Since legislation has rewritten the small business express program through Public Act No. 21-2 Section 283, has the Small Business Express Program as known prior to this date been dissolved or eliminated? If so, will DECD release lenders still engaged in portfolio management for this program from its current contract, allowing the loans to be returned to DECD or rolled into this new contract as new loans?

The Small Business Express program has been eliminated. DECD will not release lenders engaged in portfolio management for the Express Program and will continue with current contract obligations.

33) The RFP states that there is a \$25,000,000 program cost and only \$125 million of the \$150 million funds are available. Please define how the \$25 million will be utilized by the State.

This question is unrelated to the RFP and will not be answered here.

34) Will all of the loans originated under this program, regardless of funding source used (State or non-state) belong to the entity originating the loan and allowed to revolve into new loans in the future or will there be a liability to pay back the principle and or interest to DECD? If the latter, will DECD provide 100% loan loss reserve on each loan?

DECD's intent is to create a program in which loans revolve into new loans and the state holds an ownership interest relative to its investment in the vehicle. The remaining details will be subject to further negotiation.

35) Are loans and/or services to nonprofit businesses excluded from this contract or allowed? Pg 9 Section B of the RFP states small businesses across every sector. A non-profit is registered as a business and is permitted PPP loans through the Small Business Association, so in definition, it appears that non-profit organizations should qualify as recipient of services under this RFP.

Yes, non-profits are eligible.

36) Can a CT headquartered foundation (e.g. HFPG, CFGNH, et al) or any of its subsidiaries be a proposer?

Yes.

37) Is DECD going to approve a proposal exactly as it is submitted or will it approve a proposal subject to the proposer accepting changes that DECD will request/require?

There will be some portions of a proposal that are open to negotiation.

38) Please provide further clarification of the statement “All proposed costs must be fixed through the entire term of the contract”. (page 23 – Proposed Costs). Costs of any projected program, especially that of one across five years, are often based on variables such as demand for services, number of small businesses actually served, number of employees hours spent with small business (often dependent on life cycle stage of small business and/or skills of owner), unexpected changes in expenses (shifting from one line item to the next), changes in partners if goals are not met or an opportunity presents itself to improve the impact of the program, etc. How are these normal courses of business built into this program if costs must be fixed throughout the contract?

If proposed program costs must be adjusted due to unforeseen circumstances, budget amendments can be requested and will be entertained if the justifications holds merit.