



**State Fiscal Note for Bill
Number: 2015-H-5891**

Date of State Budget Office Approval:

Date Requested: Monday, April 06, 2015

Date Due: Thursday, April 16, 2015

<i>Impact on Expenditures</i>		<i>Impact on Revenues</i>	
FY 2015	N/A	FY 2015	N/A
FY 2016	Up to \$1,024,500	FY 2016	Indeterminate
FY 2017	Up to \$1,024,500	FY 2017	Indeterminate

**Explanation by State
Budget Office:**

This bill would create the "Transitioning Veterans' Small Business Loan Program" to be administered by RI Commerce Corporation. The bill requires the RI Commerce Corporation to provide eligible veterans with business plan development assistance, mentorship in business development and execution, to work with the US Small Business Administration and private lenders to leverage outside sources of funds to support small business loans for veterans, and to make loans of up to \$50,000 per eligible veteran, up to \$1.0 million per year.

**Comments on
Sources of Funds:**

Initial funding would be derived from general revenues. As loans are repaid this money could then be used to make additional loans. However, for purposes of this fiscal note it is assumed that the funding for the loans would come from general revenues for FY 2016 and FY 2017.

**Summary of Facts
and Assumptions:**

1. This note assumes an effective date of July 1, 2015. Therefore, there is no fiscal impact reported in FY 2015.
2. According to the Commerce Corporation, defaults on loans to low-to-moderate income businesses tend to be high, which makes accessing traditional sources of capital difficult for these businesses. Based on the scope of the loan program proposed by this legislation (which provides up to \$50,000 in loans to eligible veterans), most of the veteran-owned businesses accessing funds through this program would fall into this (low-to-moderate income) category. As a result, these loans would also carry a greater likelihood of default. As such, the Commerce Corporation anticipates that funding for this program would have to be appropriated periodically by the General Assembly following the initial appropriation of resources.
3. The annual cost to fund the loans administered under this program would depend on the amount appropriated by the General Assembly for that purpose. As written, the Commerce Corporation could provide up to \$1.0 million in loans per year to eligible veterans if sufficient resources are appropriated.
4. The Commerce Corporation has IT systems and portfolio management software in place to monitor and track small business loans. Accordingly, the Corporation does not anticipate any additional IT hardware/software costs to carry out this new program.
5. Further, the Commerce Corporation anticipates administering this program

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Wednesday, May 06, 2015

Page 1 of 2

utilizing existing staff resources. However, staff time would be allocated to the funds appropriated by the General Assembly for the program. The Corporation anticipates that an Underwriter/Portfolio Manager would spend 3-4 days per month dedicated to the program, or approximately 0.15 FTE position, for an estimated cost of \$15,000 (including salaries and benefits) in FY 2016 and FY 2017.

6. In addition, the Corporation anticipates costs attributable to mileage reimbursements, which would be provided to staff when driving to various locales across the state to promote the program – include meeting with prospective clients, chambers of commerce, veterans' organizations, and others. The Commerce Corporation estimates these costs to be \$4,500 in FY 2016 and FY 2017.

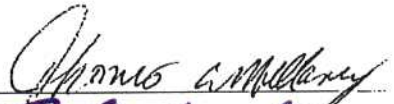
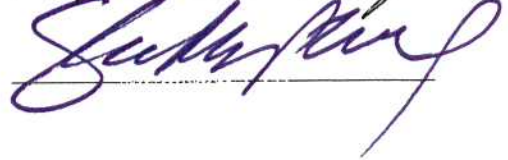
7. Lastly, the Corporation anticipates costs associated with marketing the program to eligible veterans. These costs would vary significantly depending on the type of marketing utilized. For purposes of this fiscal note, the Corporation estimates total marketing expenditures of \$5,000 in FY 2016 and FY 2017, to be used towards printing various fliers and brochures as well as informational resources for interested veterans.

Summary of Fiscal
Impact:

FY 2015: N/A
FY 2016:
Small Business Loans: Up to \$1.0 million
Other:
Personnel Allocated to the Program: \$15,000
Mileage Reimbursements: \$4,500
Marketing Costs: \$5,000
Subtotal, Other: \$24,500
Total: Up to \$1,024,500

FY 2017:
Small Business Loans: Up to \$1.0 million
Other:
Personnel Allocated to the Program: \$15,000
Mileage Reimbursements: \$4,500
Marketing Costs: \$5,000
Total Other: \$24,500
Total: Up to \$1,024,500

Budget Office Signature:

Fiscal Advisor Signature: