

Regulatory Fairness Board – January 22nd 2014 9:00 – 10:45

Nash School. Attendees: Regulatory Fairness Board Matthew Dunlap, Chair, David Brenerman, Pat Kuhn (by phone). Hon. Doug Smith was unable to attend.

Guests: Marilyn Geroux, Small Business Administration, Charlie Emmons, Finance Authority of Maine.

Debbie French (IT division) provided access through Go To Meeting for people unable to attend the meeting.

At the Board's request Marilyn Geroux and Charlie Emmons attended to talk about the issues raised by the Board at the October meeting around access to capital for small businesses.

SBA provides no direct loans, and usually works with banks to provide loan guarantees to small businesses, which help small businesses that would not otherwise qualify to get a bank loan. In an effort to spur the economy between October 2013 and September 2014, the SBA will eliminate the fees on loans less than \$150,000 to get the lenders to lend and borrowers to borrow. The Veteran's Advantage program will loan up to \$350,000 with no fees. SBA also helps with disaster recovery for small businesses.

SBA also lends to Community Development organizations who can then turn around and use those funds for small loans (\$500 - \$50,000). Coastal Enterprises (CEI) is the state's largest micro-lender, but other groups like Androscoggin Council of Governments, Northern Maine Development Commission, Community Concepts and Main Street Capital also work in the micro-lending area.

The Finance Authority of Maine also provides loan guarantees insuring 92% of a loan up to \$4 million. They work with all the banks and some credit unions on loan guarantees. In addition, FAME does direct loans through a variety of business programs, including the Economic Recovery Loan program, which can help a business who is in some financial trouble or small start-ups. It also has many targeted at specific sectors or business owner – agriculture or Veterans for example, which gives FAME a lot of flexibility in working with business owners.

FAME also administers the Seed Tax Credit, which encourages investors to invest in small companies with high growth potential. Maine also has a venture capital fund, Maine Ventures, which uses state funds to leverage private equity funds to grow high growth potential businesses.

Coastal Enterprises (CEI) also has a wide variety of funding options, including New Markets Tax Credits, direct loans to businesses – both traditional and micro. Their focus is on natural resourced based businesses - specifically in the agriculture, forestry and fishing. The Regional Economic Development Loan program is another state funded revolving loan program operated through thirty regional economic development agencies. All these programs are loan programs, so the business owner needs to demonstrate they will be able to pay the loan back.

The SBA also is part of state and private partnership that funds the Small Business Development Centers. The SBDC has sixteen or more small business counselors across the state who work with small businesses owners to develop a business plan, marketing strategy and help them figure out their finances – including options for funding. Maine also has Women Work and Community that provides small business counselling and career planning.

Maine also has the Community Development Block Grant program that can help small companies that are creating jobs with loans or grants, if they meet the federal criteria. The grants, which flow through municipalities, usually help with basic infrastructure for communities, like water and sewer capacity, fire stations and other community buildings. The funds have also been used for pier reconstruction, downtown development, and expansion of housing opportunities for low to moderate income Mainers.

Finally, Maine has the Maine Technology Institute that can help companies that have a new product, service or production method test it out, figure out the market, develop a prototype and other small projects. MTI's development awards are patient capital that can support the commercialization of new technologies or products.

Mr. Emmons and Ms. Geroux noted that the biggest obstacle to funding small businesses is lack of a good business plan, including not understanding their company's financials, bad credit, no down payment, and an inadequate marketing strategy. Banks, even FAME and SBA, want to know how they are going to get paid back. This is one of the key reasons the SBA helps fund the Small Business Development Centers.

The board thanked Mr. Emmons and Ms. Geroux for their very informative discussion.

The Board then talked about the agenda for the upcoming year, which includes an appointment from the Speaker of the House, and possible locations for the public sessions. The board agreed to try to schedule around meeting that were already happening or working with local chambers to get better attendance from the community businesses.

Meeting was adjourned at 10:45.