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The Momentum Behind Access to Capital Programs

Over the course of 2010 and 2011, Access to Capital—or debt and equity finance—tools have become an increasing area of focus for CDFA and its members.

In 2011 alone, CDFA took a number of actions on this front, including launching the Innovation Finance Course, publishing the *Innovation Finance Reference Guide*, growing the “Access to Capital” section of the CDFA Online Resource Database to 650+ items, and taking a leadership role in the U.S. Dept. of the Treasury’s State Small Business Credit Initiative.

In 2012, CDFA is continuing this momentum by giving greater coverage to the EB-5 visa program (see page 14 in this issue) and by launching the CDFA Revolving Loan Fund Resource Center, which will include a RLF programs database.

The reasons for the increased attention to access to capital programs are easy to see. First, lending support programs are frequently appropriate for small businesses, which may not be ready, or eligible, for larger tools, such as an Industrial Development Bond or New Markets Tax Credit investment.

Second, the lack of access to capital—rightly or wrongly—received tremendous

coverage in 2011. This, in turn, led many individuals, businesses, and agencies to seek information on how the public sector can facilitate access to capital. Similarly, supporting capital access for small businesses was a particularly popular political position in 2011.

Third, local, state, and federal economic development agencies created, revamped, or expanded a number of access to capital programs in 2011. The growth of this industry is impossible to ignore.

U.S. Dept. of Treasury’s State Small Business Credit Initiative (SSBCI)

The SSBCI has been a significant factor in the expansion of state-level access to capital programs. Over the course of 2011, 47 states, the District of Columbia, Puerto Rico, Guam, and the Virgin Islands were approved to receive federal funding to launch or bolster state programs.

The SSBCI was authorized to distribute \$1.5B to small business access to capital programs. Of SSBCI funding allocated thus far, 75% went to debt programs, including capital access programs, loan guarantee programs, collateral support programs, and loan participation programs.

More specifically, 25% of the funding went to capital access programs (CAPs) alone. The somewhat high percentage of CAP funding may seem surprising, considering that only approximately 14 states had active CAPs before the SSBCI. However, the Initiative’s authorizing legislation, the Small Business Jobs Act of 2010, was primarily written for these types of programs.

Calls for Participation

Revolving Loan Fund Program Profiles
Provide details on your RLF so that it can appear in CDFA’s new RLF Program database.

Tax Increment Finance Statutes
Support the CDFA TIF State-by-State Map by sharing the details of your state’s statute.

Tax Credit Finance Projects
Submit a project financed with federal tax credits.

To participate in any CDFA project, contact Jason or visit the Original Research Focus page at www.cdfa.net.

Loan participation, guarantees, and other structures have accounted for 50% of current SSBCI allocations. Collateral Support Programs (CSPs) have been an unexpectedly popular design. Sharing similarities with both CAPs and guarantees, a CSP has the state make a cash deposit with a lender to bolster a borrower’s collateral. In the event of a default, the lender has rights to the state’s deposit. Ten states are currently using SSBCI funding for these programs.

The remaining 25% of SSBCI funds allocated thus far have gone to state venture capital programs. More specifically, 27 states and territories have used funds to support venture capital programs of various designs, including direct state investment funds and fund-of-funds models.

Innovation Finance

Venture capital investments totaled \$28.4B in 2011, marking the second-straight year of 22% growth, according to

a report by PricewaterhouseCoopers and the National Venture Capital Association. States across the country are continuing to encourage investment growth.

In the first few weeks of 2012 alone, 15 separate state development offices and agencies appeared in CDFA's "Innovation Finance" headlines for getting more engaged in this area. Specifically, states are coalescing resources, launching new seed, angel, and venture funds, leveraging public/private development entities to make investments, announcing program successes, or otherwise promoting the state's innovation strategies.

Several states are having success with the direct use of state monies or funds. For example, Illinois recently announced the first investments from a new, \$78M state fund. Texas invested \$169M in technology companies since 2006, creating 820 jobs and leveraging more than \$600M in

additional investments. Rhode Island has reached an agreement to invest up to \$9M through a technology fund that will support startups in the state.

Some states are looking to encourage the investments made by private citizens. New angel investment networks are sprouting up in West Virginia and Alabama, providing startups with financing in states that have not always been known for providing access to this type of funding. Iowa, Wisconsin, and other states are looking at boosting state investor tax credits in order to increase the investments made by residents into local companies.

Clearly, Innovation Finance programs are an exciting area of growth for the development finance industry. Learn more and stay up-to-date with the latest news with training courses, reference guides, program resources, and daily headlines at www.cdfa.net.

Research Numbers

626 Resources added to the CDFA Online Resource Database in 2011, bringing the total over 2,900.

3,408 Development Finance headlines added to the CDFA website in 2011.

25 Percent of federal SSBCI funding that went to state venture capital programs.

74 New EB-5 Regional Centers approved by the USCIS in 2011.

CDFA Bookstore

Your development finance toolbox isn't complete without these reference guides:

- Practitioner's Guide to Economic Development Finance
- Development Bond Finance Reference Guide
- Advanced Bond Finance Reference Guide
- Tax Increment Finance Best Practices Reference Guide
- Advanced Tax Increment Finance Reference Guide
- Tax Credit Finance Reference Guide
- Revolving Loan Fund Reference Guide
- Federal Financing Reference Guide
- Innovation Finance Reference Guide

CDFA publications are the most comprehensive resources available covering the full spectrum of the development finance industry.

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