

## Chris O'Brien

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**From:** Jordan Goyette <goyettejordan@yahoo.com>  
**Sent:** Monday, February 14, 2022 3:16 PM  
**To:** House Finance Committee  
**Subject:** Testimony with concerns on Article 8, Section 6

Dear Chairman Abney & members of the Finance committee,

In 2019 when the Small Business Development Fund was first proposed, it was naturally something that sounded like a good idea. Governor Raimondo's previously established small business loan programs had helped countless small businesses grow so they could expand to more spacious property and hire more workers. But as the proposal was considered, it became very clear what the program would become: a slush fund for venture capitalists to take advantage of.

After the program was included within the FY 2020 state budget passed by the legislature in June of 2019, Governor Raimondo, the former venture capitalist herself, warned that this program could turn into another 38 Studios scale scam. This concern only increases when one reads much of Section 6 covering this program in Article 8, as much of the language expresses a desire to have even more deference given to the structuring and procedures of the program currently regulated under the Commerce Corporation. I would at least encourage the General Assembly to include narrower language in that area, like the committee did for the Governor's RI Rebounds proposal it passed on the first day of session, when you established guidelines for where the small business assistance provisions could go to. Back then, the committee limited where the funding could go, specifically businesses that had revenues less than \$1 million in annual revenues and demonstrated they sustained a negative impact to the health of their business due to the pandemic. This program has a annual revenue limit of \$15 million dollars. The committee should also keep the language preventing an investing entity from claiming a credit beyond its minimum state tax liability, and expanding the types of entities that can participate to smaller mission-oriented community institutions like CDFIs and minority depository institutions. It should also keep the deleted language on page 22 of the article from lines 24-26, requiring that an investing entity has a previous history of substantial investment in small businesses. For smaller community institutions, there maybe should be a new lower level of required investment, than the current \$150 million requirement that the committee could change as well. The committee should also include a clear application limit, instead of just deferring to the corporation's regulations. There is a lot of deference to the corporation with language like, "As the corporation deems appropriate," throughout this article, and I would trust the committee to express their intent for this program through narrower language if any of these new changes are to be made. The committee and legislature should make its intent for the executive regulations as clear as possible. Not doing so is how programs like this turn into complete implosions like what happened with the 38 studios deal.

The very same people who cashed in on that scandal while regular Rhode Islanders took the hit are looking to cash in on this too. Frankly this never should have been included in the budget in 2019 as is. Investment companies like venture capital terms shouldn't get tax credits for being good investors who put their wealth into small business companies. If they actually wanted to do it, they would just count on their investment making a great return for them as its grows its revenue and expands its operations. They should also at least be contributing a larger share of their capital to the development fund than 45%, if anything, they should be contributing a larger majority of capital in the fund. Please tread carefully as you consider this section of Article 8.

Thank You,

Jordan Goyette  
114 Uphill Avenue  
Warwick, RI 02886  
goyettejordan@yahoo.com  
401-527-4415