Testimony of
Carling Dinkler, Head of Public Affairs Enhanced Capital
Finance and Economic Affairs Committee
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Committee Chairperson and Members of the Provincial Parliament,

Good afternoon, my name is Carling Dinkler, and I serve as the Head of Public Affairs at Enhanced Capital, an impact investment firm that supports small and medium-size businesses.

For 20 years, Enhanced Capital has leveraged private sector resources to achieve positive public policy outcomes. Our investments can be found in rural and urban environments across the United States.

I am appearing today on behalf of the Rural Opportunity & Investment Coalition (ROI Coalition), a group of private impact investments funds. I am joined today by Mackenzie Ledet of Stonehenge Capital and Jeff Craver of Advantage Capital - both members of the ROI Coalition.

We appreciate the opportunity to speak in favor of a proposed rural economic recovery program to support the growth of small and medium enterprises (SMEs) in rural and northern Ontario.

The ROI Coalition’s rural economic recovery program is supported by the Ontario Chamber of Commerce, the Canadian Manufacturer and Exporters, municipal economic development staff, and political leaders.

We are unified and focused on supporting targeted small and medium-size businesses by creating pools of private capital dedicated to supporting growth and job creation in rural and northern Ontario.

The participants in our coalition have a long history of working with policymakers to support local business as they seek the capital they need to stabilize, grow, and create jobs.

Before reviewing the economic development model we are proposing, I would like to pause and talk about why we believe the approach we are presenting is particularly relevant as our economies begin the process of recovering from effects of the COVID-19 pandemic.

As policymakers, you are in a challenging position of injecting capital into the economy at a time when revenues are likely at historic lows. The proposal we will discuss addresses this problem, by monetizing a future stream of tax credits and using the proceeds to support small businesses in rural and northern communities.

In short, this model allows the government to realize cash proceeds for tax credits that cannot be claimed for a numbers of years and to have that capital put to work immediately supporting targeted small businesses.

Access to capital is a serious issue for SMEs hoping to expand, increase market share, and create jobs. If enacted, a the rural economic recovery program would take a meaningful step toward helping SME owners in rural and northern Ontario gain access to flexible growth capital.

And it would allow these communities to prosper, putting more money in the pockets of rural and northern residents by supporting private sector growth.

The model for economic development outlined in our proposal has been embraced in states throughout the U.S. including Connecticut, Georgia, Ohio, and Utah, and the foundation of this model is based on a 20-year old U.S. federal program known as the New Markets Tax Credit.

This innovative approach empowers experienced private sector fund managers to make smart investments within certain parameters set by policymakers.

The rural investment tax credit would result in the investment of up to $250 million in private capital administered by qualified fund managers into targeted SMEs located in rural and northern Ontario.

That $250 million of investment would be made within three years and that level of investment would be maintained for the following four years. Importantly, tax credits authorized by the program can only be claimed after each fund has fully deployed its capital and the three-year initial investment period has ended.

To build this pool of capital, an incentive is required for a portion, so it can be leveraged to raise the remainder of the fund.

We are proposing that a tax credit be created against Ontario's insurance premium tax, one of the few taxes paid to the province.

This structure enables funds like ours to raise approximately half the capital from insurance companies and then raise the remainder of the funds from traditional investment sources.

The proposed rural economic recovery program includes stringent standards that ensure accountability, transparency, and efficiency. Under the program, tax credits can be recaptured if investments do not comply with program safeguards or investment milestones, and fund managers face financial penalties if their investments fail to produce projected job numbers.

Importantly, the proposed program contains provisions that ensure a diversity of investments by capping the amount of investment any one SME can receive and encourages competition among multiple fund managers.

During the application process, fund managers would have to create a business plan for deploying the private capital managed by them and project the number of jobs that would be created or retained by those investments.

Before exiting the program, a fund manager would have to demonstrate that the fund’s investments meet or exceed the job projections or face penalty payments to the province.

The approach to economic development proposed in the rural economic recovery program is designed to harness the power of the private sector to support Ontario’s rural community while protecting the interests of taxpayers.

This type of program provides SMEs with the growth capital they need without additional red tape, and it allows the private sector to make smart business decision without the government picking winners and losers.

Enacting the rural economic recovery program will be a meaningful signal that rural and northern areas of Ontario are open for business.