

NOTICE OF INTENT

Department of Economic Development
Economic Development Corporation

Small Business Linked Deposit Program
(LAC 19:VII.Chapter 71)

In accordance with R.S. 51:2312(A)(7), the Department of Economic Development, Economic Development Corporation proposes to adopt rules and regulations regarding the Linked Deposit Loan Program.

The text of this proposed rule may be viewed in its entirety in the emergency rule section of the June, 1996, *Louisiana Register*.

This proposed rule is scheduled to become effective October 20, 1996, or as soon thereafter, as is practical upon publication in the *Louisiana Register*.

Interested persons may comment on the proposed rules until September 20, 1996, to Brett Crawford, Executive Director, Economic Development Corporation, Box 94185, Baton Rouge, LA 70804 or 101 France Street, Suite 312, Baton Rouge, LA 70802.

Brett Crawford
Executive

Director

FISCAL AND ECONOMIC IMPACT STATEMENT FOR ADMINISTRATIVE RULES RULE TITLE: Small Business Linked Deposit

- I. ESTIMATED IMPLEMENTATION COSTS (SAVINGS) TO STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

Implementation costs of the proposed rules for FY 96-97 is estimated at \$758,100. The vast majority of the costs represent foregone earnings on Treasury funds. The remaining costs reflect the portion of LEDC's administrative expenses needed to process the linked deposit transactions. This will not represent an increase in LEDC's administrative expenses due to the fact that the program has been in existence and operating since FY 90.
- II. ESTIMATED EFFECT ON REVENUE COLLECTIONS OF STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

This rule established procedures for authorization and administration for an existing low interest loan program. The Treasurer's office has deposited \$25 million into accounts at an interest rate 3 percent lower than it would ordinarily receive on normal deposits. The "linked deposit" costs the state approximately \$750,000 per year in lost revenues. The deposit and the state's ability to make this deposit is by law subject to the judgement of the State Treasurer.
- III. ESTIMATED COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS OR NONGOVERNMENTAL GROUPS (Summary)

Each business is eligible for up to a \$200,000 linked deposit under this program. The "linked deposit" is available to a small business for a period of three years, renewable each year. After the three-year period, the deposit returns to state funds to be reinvested into another business taking advantage of the linked program. The benefit to each eligible business would be \$200,000 times 3 percent, or \$6,000 per year to be used to create or sustain jobs. It is estimated that 65 to 70 businesses per year will be assisted either by the initiation of a new "linked" application or by renewal of an existing one.
- IV. ESTIMATED EFFECT ON COMPETITION AND EMPLOYMENT (Summary)

The effect on competition will be minimal since the amount each business receives and the beneficiaries will be spread across the small business spectrum. The effect on employment should be positive since one of the criteria for awarding this benefit will be the ratio of state funds to be deposited to the number of jobs created or sustained.

Brett Crawford
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Executive Director
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Legislative Fiscal Office

H. Gordon

Chief Coordinator