

NOTICE OF INTENT

Department of Economic Development
Economic Development Corporation

Small Business Loan Program—Loan Policies
(LAC 19:VII.Chapter 1)

Under the authority of R.S. 51:2341-51:2344 as amended in Acts 1992, Number 1136, notice is hereby given that the Department of Economic Development, Board of the Economic Development Corporation proposes new rules concerning a loan guaranty program for small business.

The rules repeal and replace LAC 19:VII.Subpart 3, Small Business Equity Program, Chapter 7, Chapter 9, and LAC 19:VII,Subpart 1, Minority and Women Business Development Program, Chapters 1-13.

Acts 1992, Number 1136, s1, eliminated references to the Louisiana Minority and Women's Business Development Program and authorizes the Louisiana Economic Development Corporation to serve as the single review board for all financial assistance, grants, and investment programs administered by the Department of Economic Development, excluding those financial incentive programs administered by the State Board of Commerce and Industry.

The text of this proposed rule may be viewed in its entirety in the Emergency Rule Section of this issue of the *Louisiana Register*.

This proposed rule is scheduled to become effective January 20, 1997, or as soon thereafter, as is practical upon publication in the *Louisiana Register*. Interested persons may comment on the proposed rules in writing until October 30, 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 Loan Program**

- I. ESTIMATED IMPLEMENTATION COSTS (SAVINGS) TO STATE OR LOCAL GOVERNMENTAL UNITS (Summary)
The total implementation cost of the proposed rules for fiscal year 1996-1997 is estimated at \$170,000; \$328,300; and \$437,600, respectively, over the first three years, which reflects the portion of LEDC's current administrative costs needed to operate the program as well as anticipated loan losses. However, this will not represent an increase in LEDC's operating budget due to the fact that the program has been in existence and operating since FY 93.
- II. ESTIMATED EFFECT ON REVENUE COLLECTIONS OF STATE OR LOCAL GOVERNMENTAL UNITS (Summary)
LEDC's self-generated revenues from its guarantee fees and application fees will increase as LEDC's loan guarantees increase. Based on past revenue collections, it is estimated that collections for FY 96-97 will total about \$102,000. This estimate is based on guarantee and application fees on an allocation of \$5,000,000 available for loan guarantees and participations.
- III. ESTIMATED COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS OR NONGOVERNMENTAL GROUPS (Summary)
The program will benefit small and medium sized business owners by making available capital for expansions that would not ordinarily be available. The small business owners will in turn be able to create and preserve jobs. The Louisiana Economic Development Corporation will be able to leverage its funds and increase its private capital contribution. A guarantee fee of .5 - 2 percent and an application fee of \$100 will be collected by LEDC, per application. It is estimated that 30- 40 businesses will be assisted per year. The program will also benefit small, economically disadvantaged businesses by offering a guarantee feature in the program that enables this segment of the state's population to gain access to business financing that would otherwise be unavailable.

IV. ESTIMATED EFFECT ON COMPETITION AND EMPLOYMENT (Summary)

Since this program does not make direct loans, it is not in direct competition with the private sector. Therefore, the program will not negatively affect private sector employment or be in direct competition with other government programs. Competition will likely be enhanced by the addition of markets for goods and services resulting from the small businesses to be assisted. The program will promote competitiveness within the financial service industry. Because economic development is the purpose of the program, net new jobs will be created through the development of new and expanded businesses.

Brett Crawford

John R. Rombach

Executive Director

Fiscal Officer

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Legislative