

HOUSE BILL REPORT

HB 1833

As Reported By House Committee On:

Trade & Economic Development

Title: An act relating to existing economic development revolving loan funds in distressed areas.

Brief Description: Assisting existing economic development revolving loan funds.

Sponsors: Representatives Van Luven, Sheldon, Dunn and Kessler; by request of Department of Community, Trade, and Economic Development.

Brief History:

Committee Activity:

Trade & Economic Development: 2/19/97, 2/26/97 [DP].

HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: Do pass. Signed by 9 members: Representatives Van Luven, Chairman; Dunn, Vice Chairman; Veloria, Ranking Minority Member; Sheldon, Assistant Ranking Minority Member; Alexander; Ballasiotes; Mason; McDonald and Morris.

Staff: Kenny Pittman (786-7392).

Background: In 1985, the Legislature created the Development Loan Fund (DLF) program to provide capital to promote economic development and job creation in economically distressed areas of the state. The DLF program was designed to allow the state to provide financial assistance to businesses, without violating the constitutional lending-of-credit prohibition. Financial assistance is provided to businesses in the form of low-interest loans gap financing— for that portion of a project that a business is unable to obtain from a conventional lender. The DLF program is administered by the Department of Community, Trade and Economic Development.

Constitutional restrictions on lending of the state's credit are circumvented by exchanging state appropriations from the capital budget with federal Community Development Block Grant (CDBG) funds. The federal CDBG funds are eligible under federal guidelines for economic development activities but are normally used for community infrastructure and housing rehabilitation projects. The state

appropriations, once exchanged with CDBG funds, are used for community infrastructure projects and the CDBG funds are freed up to be used for loans to private businesses.

The DLF program sets aside 80 percent of appropriated funds for projects in distressed areas and the remaining 20 percent for projects in non-distressed areas. The DLF committee may award up to 20 percent of the distressed area funds as grants to local governments to assist in funding of existing economic development revolving loan funds in distressed areas.

Summary of Bill: The restriction that limits 20 percent of the 80 percent of funds available to projects in distressed areas for grants to fund local revolving loan funds is removed. The DLF committee is authorized to make appropriated funds available to local governments to recapitalize existing economic development revolving loan funds in distressed areas.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This will allow the Development Loan Fund committee to make grants to fund local revolving loan funds. The local governments are in the best position to make decisions regarding the smaller loans.

Testimony Against: None.

Testified: Chris Greenlee, Department of Community, Trade and Economic Development (pro).