

# FINAL BILL REPORT

## HB 1473

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Synopsis as Enacted

**Brief Description:** Providing supplemental appropriation authority for the development loan fund.

**Sponsors:** Representatives Sheldon, Buck, Voloria, Morris, Kessler, Scott and Dickerson.

**House Committee on Capital Budget**  
**Senate Committee on Ways & Means**

**Background:** The Development Loan Fund Program (DLFP), administered by the Department of Community, Trade, and Economic Development (CTED), provides low-interest loans to minority and women-owned businesses and businesses located in areas experiencing high unemployment. The DLFP loans provide gap financing— to businesses by making up the difference between the cost of a project and the amount that businesses are able to obtain from conventional lenders. Loans are limited to a maximum of \$350,000 per project, or up to \$700,000 per project with the approval of the CTED director.

The DLFP avoids the state's constitutional prohibition against lending credit to individuals and businesses by exchanging state appropriations with federal Community Development Block Grant (CDBG) funds. Federal CDBG funds may be used for economic development activities, though they are normally used for community infrastructure projects. Under the DLFP, state capital appropriations are used for community infrastructure projects that would otherwise be funded using CDBG funds. The CDBG funds are subsequently used for loans to private businesses. Loan repayments are deposited in the development loan account, an appropriated capital budget account, and used for additional loans.

The 1995-97 capital budget appropriated \$3.5 million from the development loan account to the CTED for the DLFP. The CTED has issued 18 loans totaling \$3.4 million since the beginning of the biennium. Due to higher than anticipated loan repayments over the biennium, approximately \$2.3 million is available in the account for additional loans. The CTED cannot expend these funds without additional appropriation authority. The CTED has provided preliminary approval for four additional loans totaling \$653,000 contingent on receiving additional appropriation authority from the Legislature.

**Summary:** The 1995-97 capital budget appropriation to the Department of Community, Trade, and Economic Development (CTED) from the development loan account is increased by \$700,000, from \$3.5 million to \$4.2 million.

**Votes on Final Passage:**

House 97 0

Senate 44 0

**Effective:** April 24, 1997