

HOUSE BILL REPORT

HB 1473

As Reported By House Committee On:
Capital Budget

Title: An act relating to providing supplemental appropriation authority for the development loan fund.

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

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

Brief History:

Committee Activity:

Capital Budget: 2/13/97, 2/21/97 [DP].

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass. Signed by 11 members: Representatives Sehlin, Chairman; Honeyford, Vice Chairman; Ogden, Ranking Minority Member; Sullivan, Assistant Ranking Minority Member; Costa; Hankins; Koster; Lantz; Mitchell; D. Sommers and H. Sommers.

Staff: Karl Herzog (786-7271).

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. 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 CTED for the DLFP. 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. CTED cannot expend these funds without additional appropriation authority. CTED has provided preliminary approval for four additional loans totaling \$653,000 contingent on receiving additional appropriation authority from the Legislature.

Summary of Bill: The 1995-97 capital budget appropriation to CTED from the development loan account is increased by \$700,000, from \$3.5 million to \$4.2 million.

Appropriation: The appropriation from the development loan account to the CTED is increased from \$3.5 million to \$4.2 million.

Fiscal Note: Not requested.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: The Development Loan Fund provides much needed funding that leverages private funding sources. Because of the shortfall in appropriation authority, economic development councils have not been able to access the program. Program funds have leveraged \$29.7 million and created 1,250 jobs at an average cost of approximately \$5,000 per job.

Testimony Against: None.

Testified: Representative Tim Sheldon, prime sponsor; and Chris Greenlee, Department of Community, Trade and Economic Development.