

**Empire State
Development
30 South Pearl Street
Albany, NY 12245**

**LINKED DEPOSIT PROGRAM
ANNUAL REPORT TO
THE GOVERNOR AND
THE LEGISLATURE
2009**

Empire State Development is responsible for managing the Linked Deposit Program (LDP), which was created to encourage and assist New York State manufacturers and small businesses to undertake investments that improve their performance and competitiveness, leading to a stronger economic climate for New York State. The continued utilization of LDP by both the banking and business communities during this difficult economic period remains very encouraging and the Program's economic impact reaches all regions of the state.

During 2008, the Linked Deposit Program processed 468 new applications and approved 403 of them for deposits totaling more than \$114.5 million. The 403 projects approved during 2008 will generate \$297.6 million in private sector capital investment.

The LDP "linked loan" provides businesses with affordable capital based on interest rates subsidized by state deposits. Under LDP, eligible businesses can obtain loans from commercial banks, savings banks, savings and loan associations, farm credit institutions, and the New York Business Development Corporation at an interest rate that is 2 or 3 percentage points lower than the prevailing rate on such loans, thereby making borrowing less expensive. Lenders are compensated by deposits of State funds at comparably reduced rates.

There are currently 76 lending institutions participating in the Linked Deposit Program. Since the program's inception on February 11, 1994, LDP has funded 3,979 projects for a total amount of \$1.3 billion, leveraging over \$2.9 billion in new capital investment by businesses in New York State.

I. LDP Legislation Requires an Annual Report on the Following Information:

1. Types and Number of Firms Receiving Linked Loans

Manufacturing Firms	181
Manufacturing Firms / Agricultural	57
Service Businesses	158
Retail Businesses	<u>7</u>
	403

2. Geographic Distribution of Participating Firms

	<u>Approved projects</u>	<u>Linked Deposit Assistance</u>
Capital Region	42	\$ 10.3M
Central New York	46	\$ 12.7M
Finger Lakes	107	\$ 29.5M
Long Island	22	\$ 9.9M
Mid-Hudson	11	\$ 3.2M
Mohawk Valley	10	\$ 3.2M
New York City	23	\$ 9.4M
North Country	20	\$ 6.8M
Southern Tier	26	\$ 8.5M
Western New York	96	\$ 21.0M
Total projects 2008:	403	\$114.5M

3. Types and Number of Linked Loans

Equipment Purchase	196
Expansion	96
Real Estate Purchase	93
Working Capital	2
Buyouts	<u>16</u>
Total number of approved projects:	403

4. Amount of Money on Deposit for Linked Loans

LDP amount on deposit as of 12/31/08	\$ 434,630,844	(1,683 deposits)
Total deposits authorized 2/11/94 – 12/31/08	\$1,307,682,879	(3,979 deposits)

5. Statement of Cost of LDP to the State and to the Public Authorities

(considered as a whole because of reduced rates on funds invested in linked deposits)

Office of the State Comptroller	\$1,646,981
Department of Taxation and Finance	<u>\$ 332,780</u>
Total cost of LDP for 2008:	\$1,979,761

6. Types and Number of Banks Making Linked Loans:

Commercial Banks	64
Savings Banks	9
Savings and Loan Associations	0
Farm Credit Institutions	2
New York Business Development Corporation	<u>1</u>
	76

7. Approximate Number of Jobs Created or Retained as a Result of LDP

NYS total jobs at time of application (403 companies approved)	10,644
NYS jobs to be created (projections made by applicant)	1,530
NYS jobs to be retained (projections made by applicant)	921

8. Actions taken by Empire State Development to Secure Increased Participation

- Periodic mailings were made to promote the program.
- Presentations were made by ESD staff at various meetings and conferences.
- LDP staff worked with Public Authorities and Corporations to retain their participation.

II. ADDITIONAL LDP INFORMATION

• **FUNDING**

Funding remains stable at \$560 million. In November 2008, LDP's first four-year projects reached maturity returning substantial funds to the program.

• **TARGETED BUSINESS PARTICIPATION**

Of the 403 projects approved during 2008, 139 projects (34.5%) benefited businesses that are located in highly distressed areas, or certified businesses in Empire Zones, or MWBE- certified, minority- or woman-owned enterprises.

21	Located in a highly distressed area
91	Empire Zone Certified
6	MWBE-certified
3	Minority Owned
18	Woman Owned

• **SMALL BUSINESS PARTICIPATION**

During 2008, the majority of businesses assisted by LDP have been small businesses with 100 or fewer employees. Ninety-seven percent (390) of the approved linked deposits were for businesses with 100 or fewer employees and those companies received 95% (\$109 million) of the dollar value of the deposits.

• **DEPOSIT AMOUNT**

The average deposit during 2008 was \$284,119 up slightly from the average of \$276,854 in 2007.

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and

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