

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

**LINKED DEPOSIT PROGRAM
ANNUAL REPORT TO
THE GOVERNOR AND
THE LEGISLATURE
2010**

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 2009, the Linked Deposit Program processed 259 new applications and approved 217 of them for deposits totaling more than \$52.6 million. The 217 projects approved during 2009 will generate \$101.6 million in private sector capital investment. Application volume for 2009 is down 45% resulting in a 54% decrease in approved dollars compared to 2008, when LDP processed 468 applications and approved 403 deposits for \$114.5 million. The decline in applications began to affect LDP in November of 2008 and can be attributed to a challenging credit market, decreasing certificate of deposit rates, and borrower hesitancy to finance new debt. Sixteen applications (6%) of the 259 applications received in 2009 were withdrawn by year-end, and 4.5% of the projects (18 loans totaling \$6.6 million) that were approved during 2008 have been postponed or cancelled by the companies stating they are hesitant to proceed in this difficult economic period. In addition, many of those projects that did move forward were scaled back due to uncertainty in the economy.

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 74 lending institutions participating in the Linked Deposit Program. Since the program's inception on February 11, 1994, LDP has funded 4,231 projects for a total amount of \$1.37 billion, leveraging nearly \$3 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	88
Manufacturing Firms / Agricultural	12
Service Businesses	112
Retail Businesses	<u>5</u>
	217

2. Geographic Distribution of Participating Firms

	<u>Approved projects</u>	<u>Linked Deposit Assistance</u>
Capital Region	16	\$ 3.5M
Central New York	29	\$ 7.0M
Finger Lakes	65	\$ 16.6M
Long Island	3	\$ 1.0M
Mid-Hudson	16	\$ 4.2M
Mohawk Valley	8	\$ 1.7M
New York City	9	\$ 3.0M
North Country	6	\$ 1.4M
Southern Tier	9	\$ 2.7M
Western New York	<u>56</u>	<u>\$ 11.5M</u>
Total projects 2009:	217	\$52.6M

3. Types and Number of Linked Loans

Equipment Purchase	122
Expansion	36
Real Estate Purchase	49
Working Capital	4
Buyouts	<u>6</u>
Total number of approved projects:	217

4. Amount of Money on Deposit for Linked Loans

LDP amount on deposit as of 12/31/09	\$ 346,268,144	(1,476 deposits)
Total deposits authorized 2/11/94 – 12/31/08	\$1,371,812,281	(4,231 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	\$ -- 0 --*
Department of Taxation and Finance	<u>\$ 151,790.89</u>
Total cost of LDP for 2009:	\$ 151,790.89

*OSC indicated no cost for LDP for this year because the majority of the money on deposit was in CDs issued in prior years when rates were substantially higher than they could invest their funds at using 2009 certificate of deposit rates.

6. Types and Number of Banks Making Linked Loans:

Commercial Banks	62
Savings Banks	9
Savings and Loan Associations	0
Farm Credit Institutions	2
New York Business Development Corporation	<u>1</u>
	74

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

NYS total jobs at time of application (217 companies approved)	5,377
NYS jobs to be created (projections made by applicant)	602
NYS jobs to be retained (projections made by applicant)	468

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

- Periodic mailings were made to promote the program.
- ESD has made contact with several Participating Lenders offering to train loan officers on the program and provide marketing materials, in an effort to increase overall participation.
- LDP staff continues to actively pursue new banks to join 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**

\$560 million was authorized for this program. Of that amount, \$516 million is committed and usable.

As of 12/31/09, \$346.3 million is on deposit and \$19 million is approved and scheduled for deposit as loans close during 2010, leaving nearly \$151 million available to fund new projects.

• **TARGETED BUSINESS PARTICIPATION**

Of the 217 projects approved during 2009, 68 projects (31%) benefited businesses that are located in targeted areas which include highly distressed areas, Federal Empowerment Zones, or Enterprise or Renewal Communities, or were certified businesses in Empire Zones, or MWBE-certified, or minority- or woman-owned enterprises.

- 14 Located in a highly distressed area
- 1 Located in a Federal Empowerment Zone, or Enterprise or Renewal Community
- 53 Empire Zone Certified
- 3 MWBE-certified
- 1 Minority Owned
- 6 Woman Owned

NOTE: Some businesses qualified in more than one category.

- **SMALL BUSINESS PARTICIPATION**

During 2009, the majority of businesses assisted by LDP have been small businesses with 100 or fewer employees. More than ninety-eight percent (214) of the approved linked deposits were for businesses with 100 or fewer employees and those companies received over 97% (\$51.4 million) of the dollar value of the deposits.

- **DEPOSIT AMOUNT**

The average deposit during 2009 was \$242,500, down slightly from the average of \$284,000 in 2008.

- **PROGRAM ENHANCEMENTS**

In May 2009, ESD raised the limit on multiple linked deposit projects from two to three open loans and expanded the cap on concurrently open projects from \$500,000 to \$1 million, though no single loan may exceed \$500,000 and the total lifetime linked deposit eligibility limit (including prior deposits) remains at \$1 million. The two deposit limit was ESD policy and not legislative mandate, and was put in place at a time when LDP demand was high and funding was scarce. Expanding the number and value of concurrent linked deposit loans will enable small businesses to engage in more overlapping projects as their operations and cash flow grow, and will ease their access to capital. During the second half of 2009, at least 20 companies were able to take advantage of these enhancements.

- **NEW LEGISLATION PASSED**

In September 2009, the State Finance Law was amended to include eligible businesses located in certain areas designated pursuant to the Federal Community Renewal Tax Relief Act of 2000 in the State's Excelsior Linked Deposit Act loan program. The legislation expands borrower eligibility to include any company with its principal place of business in NYS which employs 100 or fewer, and is located in a Federal Empowerment Zone, or Enterprise Community, or Renewal Community, to qualify for the higher interest rate subsidy of 3%.

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Capital Region

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(518) 270-1130

Central New York

620 Erie Boulevard West, Suite 112
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Finger Lakes

400 Andrews Street, Suite 100
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Long Island Office

150 Motor Parkway
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Mid-Hudson

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Mohawk Valley

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New York City

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North Country

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and
Dulles State Office Building
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Watertown, NY 13601
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Southern Tier

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Western New York

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