



**Empire State
Development**

LINKED DEPOSIT PROGRAM YEAR 2023



ANNUAL REPORT
to the Governor and the Legislature

Introduction

Empire State Development (ESD) is New York's chief economic development agency. ESD's mission is to promote a vigorous and growing economy, encourage the creation of new job and economic opportunities, increase revenues to the State and its municipalities, and achieve stable and diversified local economies. Through the use of loans, grants, tax credits and other forms of financial assistance, ESD strives to enhance private business investment and growth to spur job creation and support prosperous communities across New York State.

ESD's Division of Small Business & Technology Development supports the growth of small businesses, providing programs and services that facilitate access to capital, technical assistance, technology assistance, and venture funding.

The Linked Deposit Program (LDP) assists New York State small businesses to undertake investments that improve their performance and competitiveness, leading to a stronger economy for New York State. LDP is an important component in lowering the cost of capital for small businesses, and is one of several ESD initiatives that are helping to ensure New York State's businesses continue to thrive and grow.

Overview

The LDP "linked loan" provides businesses with affordable capital based on interest rates that are supported by state deposits. Eligible businesses can obtain LDP loans from commercial banks, savings banks, savings and loan associations, credit unions, farm credit institutions and Pursuit Lending at an interest rate lower than the prevailing rate on such loans, thereby making borrowing less expensive. Most eligible businesses qualify for up to a 2 percent interest rate reduction, while others like agricultural firms, technology and innovation businesses, certified Minority Women Owned Business Enterprises (MWBEs), certified Service-Disabled Veteran-Owned Businesses (SDVOBs) and those businesses located in highly distressed areas may qualify for up to a 3 percent reduction.

Since the program's inception in 1994, LDP has lowered the interest rate for over 6,151 loans, resulting in \$2.16 billion in lending and leveraging \$4.376 billion in new capital investment by businesses across New York State.

Linked Deposit 2023 Legislative Changes

In May 2023, Governor Hochul signed legislation that increased the lifetime per borrower maximum to \$6 million and the maximum individual loan amount to \$4 million from the previous \$2 million limit.

LDP Success Stories

- Richard C. Sears Inc. & Richard Sears Landscaping Corp. are affiliated companies that operate under the dba Richard Sears Tree Experts; they provide commercial and residential tree removal services. The LDP assisted Richard Sears Tree Experts to finance the purchase of new trucks including two bucket trucks and an additional truck with a crane. They recently contracted with National Grid to provide tree services around power lines and to also clear debris resulting from storms. This will require that a new crew be hired, and the purchase of this equipment will introduce a new revenue stream and future growth opportunities. With LDP assistance, Richard Sears Tree Experts was able to hire the new employees needed to provide services under the new contract.
- Charles J. Husted, Inc., Mt. Upton, is a milk hauling business that transports milk from New York State farms to dairy processing facilities located throughout the Northeast. The LDP assisted Charles J. Husted to purchase six new trucks and twelve new trailers that will increase their capacity and allow them to keep up with the increased demand they are experiencing. They will need to increase their fleet to remain competitive in this growing market. The new trucks and trailers will operate more efficiently and are needed to attract truck drivers. With LDP assistance, Charles J. Husted was able to purchase the new equipment and hire new employees to operate the new equipment.

2022 and 2023 Program Activity Comparison

LDP activity increased very substantially in 2023 compared to 2022 program activity, at least in part due to the change in the interest rate environment:

- In 2022, 42 applications were received and 34 approved resulting in \$20.70 million in total for approved loans, generating \$26.37 in private sector investment.
- In 2023, applications received increased by 693 percent (333 Applications), applications approved increased by 844 percent (321 applications), the total dollar amount approved increased by 973, percent (\$222,089,052) and private sector investment increased by 1,147 percent (\$328,995,231).



Following is an overview of 2023 LDP program activity, including borrower and project information, employment, and other relevant program data.

I. 2023 Program Performance Details:

1. Firms Receiving Linked Loans

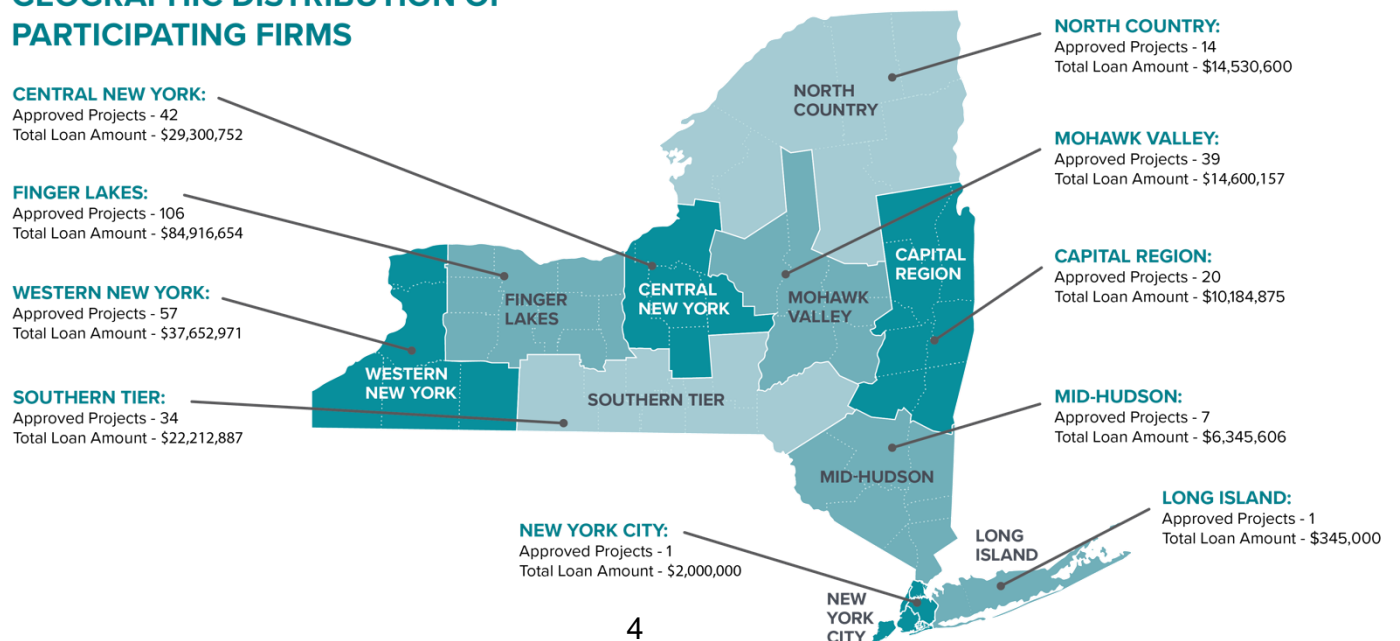
TYPE OF FIRMS	NUMBER OF FIRMS
Agricultural	104
Manufacturing	80
Professional	1
Retail	3
Service Businesses	133
Total	321

2. Linked Deposit Loan Utilization

LOAN UTILIZATION	NUMBER OF LOANS
Buyouts	24
Equipment Purchases	162
Equipment Upgrade	1
Expansions	82
New Product Development	1
Real Estate Purchases	34
Renewed Deposits	15
Working Capital	2
Total	321

3. Geographic Distribution of Participating Firms

GEOGRAPHIC DISTRIBUTION OF PARTICIPATING FIRMS



4. Loan Amounts

LOAN AMOUNTS	NUMBER OF LOANS	TOTAL
Under \$100,000	42 Loans	\$2,685,181
Between \$100,000 and \$199,999	55 Loans	\$7,838,524
Between \$200,000 and \$999,999	159 Loans	\$73,018,914
Between \$1,000,000 and \$1,999,999	30 Loans	\$39,581,883
Between \$2,000,000 and \$3,999,999	26 Loans	\$62,965,000
For \$4,000,000	9 Loans	\$36,000,000
Totals:	321 Loans	\$222,089,502

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

Approximate Number of Jobs Created and Retained as a Result of LDP	
NYS total jobs at time of application (321 approved projects)	5,668
NYS jobs to be created (projections made by applicant)	591
NYS jobs to be retained (projections made by applicant)	922

6. The Different Types of Linked Deposit Lenders

Type of Lender	Total Lenders
Commercial Banks	51
Credit Unions	2
Farm Credit Institution	1
Pursuit Lending	1
Savings and Loan Associations	1
Savings Banks	10
Total	66

7. Minority and Women Owned Enterprises (MWBE) LDP Activity

To date, LDP has assisted three hundred and sixty-one (361) closed loans to minority and/or woman owned firms for a total of \$121.18 million. In 2023, twenty (20) minority or women owned businesses were approved for LDP assistance, eight (8) of which were pending loan closing as of 12/31/23.

8. Small Business Participation

Since the program's inception the majority of businesses assisted by LDP are small businesses, which are defined as companies with 100 or fewer employees. During 2023, 99 percent (318 of 321) of the loans approved benefited small businesses and they received 98 percent of the total \$222 million committed by LDP.

9. Businesses Eligible for the 3 Percent Interest Rate Reduction

Of the 321 loans approved during 2023, one hundred twenty-eight (128) were eligible for the up to 3 percent interest rate reduction. This includes seven (7) loans to technology and innovative businesses, one (1) loan to a business diversifying from defense, sixteen (16) loans to businesses in highly distressed tracts, and one hundred four (104) loans to agricultural businesses. All were approved for the up to 3 percent reduction for a total loan amount of \$114.93 million; however, the 3 percent reduction was not realized for all the loans for it is limited to the lender's 4-year CD rate and some CD rates were below 3 percent.

Businesses and loans may qualify in more than one category for the 3 percent reduction; see page 2 for a description of the other categories. Some businesses may also receive assistance on more than one loan. The remaining eligible companies and projects qualified for the up to 2 percent interest rate reduction.

10. Maximum Lifetime Allowance

In 2023, the lifetime limit per company was raised to \$6 million. There are currently two (2) borrowers in total that have reached their lifetime deposit maximum. Both added employees, demonstrating the effectiveness of the program and how it supports the growth of the economy.

11. Certificate of Deposit Average Interest Rate

The average 4-year CD* rate for 2023 was 2.52 percent, compared to the 2022 average of 1.66 percent, increasing by 51.81 percent. Even though the program allows a 3 percent reduction, borrowers can only realize a reduction based on the lender's 4-year CD rate, which can lessen the subsidy borrowers can obtain.

*Credit union's interest rates are based on their 4-year share certificate rates; interest rates referenced in this report reflect both share certificates and CD rates.

12. Average Deposit Amount

The average deposit for 2023 was \$539,406, lower than the 2022 average of \$553,086, a decrease of 2.47 percent.

13. Amount of Money on Deposit for Linked Loans

LDP amount on deposit as of 12/31/23: \$148,530,640 (311 deposits)
Total deposits authorized since 2/11/94: \$2,159,005,957 (6,151 deposits)

14. Funding

Funding for this program is authorized at \$560 million. Of that amount, \$516 million has been committed to the program from the Office of the State Comptroller and public authorities.

As of December 31, 2023, \$148.5 million is being utilized on deposit, leaving approximately \$367.5 million available to fund new projects.

15. Statement of Cost* of LDP to the State and to the Public Authorities

Office of the State Comptroller	\$3,994,684.29
Department of Taxation and Finance	\$ <u>292,806.57</u>
Total Cost of LDP for 2023:	\$ 4,287,490.86

*Cost is determined by calculating the difference between the average rate on other short-term investments and the average rate of return on funds invested in Linked Deposit CDs.

II. Additional Information:

1. 2023 Promotional and Outreach Activity

Promoting LDP at webinars and in person events slightly increased in 2023. ESD's Division of Small Business & Technology Development staff promoted the program through webinars and attending and staffing booths at the annual MWBE forum held in October and the Service-Disabled Veteran-Owned Business "VetCon" conference held in November.

2. 2024 Program Activity

ESD will continue to promote the LDP to New York State businesses and MWBEs as the economy continues to recover from the pandemic and the current inflationary pressures.

3. How to Request Linked Deposit Assistance

Businesses may contact the LDP office at 518-292-5261 or linkeddeposit@esd.ny.gov for information or contact any one of the participating lenders to inquire if their business is eligible, and if their project qualifies for an interest rate subsidy. Lenders make the credit decision and submit the application on behalf of the borrower. The list of participating lenders, the LDP application and other relevant program information can be found on the ESD website at: <http://esd.ny.gov/BusinessPrograms/LinkedDeposit.html>.



**Linked Deposit
Program**

LINKED DEPOSIT PROGRAM
Albany, NY 12245
(518) 292-5261
Linkeddeposit@esd.ny.gov
www.esd.ny.gov