

## **BILL ANALYSIS**

Senate Research Center

C.S.S.B. 265  
By: Ellis  
Economic Development  
4-10-97  
Committee Report (Substituted)

### **DIGEST**

Currently, the Texas Small Business Linked Deposit Program provides loans to child care providers only if they are businesses located in an economically distressed communities or historically underutilized businesses. Child care providers face a number of barriers to raising capital they need to build new facilities or enhance the quality of existing facilities, staff, and child care, while keeping child care affordable for working families. This bill provides a linked deposit program, which encourages commercial lenders to lend for the purpose of providing quality, affordable child care.

### **PURPOSE**

As proposed, C.S.S.B. 265 provides for the promotion and expansion of the linked deposit program to include child care providers.

### **RULEMAKING AUTHORITY**

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends the heading to Chapter 481N, Government Code, as follows:

#### **SUBCHAPTER N. LINKED DEPOSIT PROGRAM**

SECTION 2. Amends Section 481.191, Government Code, to define "child-care provider" and to redefine "eligible borrower." Makes conforming changes.

SECTION 3. Amends Sections 481.193(a) and (g), Government Code, to provide that the Texas Department of Commerce (department) encourages commercial lending for the development of small businesses in enterprise zones, rather than distressed communities. Provides that after the comptroller's acceptance of an application, the comptroller is required to place a linked deposit with the applicable lending institution for a period of the loan, rather than for the period the treasurer considers appropriate, subject to Subsections (h) and (i). Provides that the comptroller is not required to maintain the deposit with the lending institution if the loan is extended, renewed, or renegotiated, unless the comptroller accepts a new linked deposit loan application. Deletes a provision prohibiting the state treasurer from placing a deposit for a period extending beyond the state fiscal biennium. Authorizes the comptroller to modify the interest rate during the period of the loan. Makes conforming changes.

SECTION 4. Amends Section 481.197(b), Government Code, to provide that the maximum amount of loan under the linked deposit program is \$250,000, rather than \$100,000.

SECTION 5. Amends Chapter 481N, Government Code, by adding Section 481.198 and 481.99, as follows:

Sec. 481.198. **MARKETING.** Requires the department to promote the linked deposit program established by this subchapter to eligible borrowers and financial institutions that make commercial loans and are depositories of state funds. Requires the department to prepare and deliver a report describing the department's efforts to promote the program no

later than January 1 of each odd-numbered year to certain public officials.

SECTION 6. Repealer: Section 481.195, Government Code (Designation as distressed community).

SECTION 7. Makes application of this Act prospective.

SECTION 8. Effective date: September 1, 1997.

SECTION 9. Emergency clause.

### **SUMMARY OF COMMITTEE CHANGES**

#### SECTION 1.

Amends Section 481.191, Government Code, to redefine "eligible borrower" to include an enterprise zone as defined by Section 2303.003, rather than, a distressed community.

#### SECTION 3.

Amends Sections 481.193(a) and (g), Government Code, regarding enterprise zones and modification of interest rates during the period of the loan.

#### SECTION 4.

Amends Section 481.197(b), Government Code, to provide that the maximum amount of loan under the linked deposit program is \$250,000, rather than \$100,000. Redesignates SECTION 4 as SECTION 5.

#### SECTION 5.

Deletes proposed Section 481.99 regarding administrative fees.

#### SECTION 6.

Adds SECTION 6, repealer.

#### SECTIONS 7-9.

Redesignates proposed SECTIONS 5-7 as SECTIONS 7-9.