

Linked Deposits Review Committee Minutes from the Meeting of the Committee

**Held November 27, 2007
1:00 p.m.**

Call to Order

The Linked Deposit Review Meeting was called to order at 1:05 p.m. on November 27, 2007.

Roll Call

Roll was taken to determine the presence of a quorum. Committee members attending were Senator Rob Mayer (via conference call); Representative Jason Smith (via conference call); Brian Grace, proxy for Greg Steinhoff, Director of the Department of Economic Development; Katie Smith, Director of the Department of Agriculture; and Jim Bracht, the banking representative on the committee (via conference call). Mark Mathers, Carrie Grellner and Doug Gaston from the State Treasurer's Office also participated.

Review of Report

A quorum having been established, State Treasurer Sarah Steelman thanked the members for their attendance.

Mr. Mathers reviewed the draft Linked Deposits Review Committee report, which is required by law to be presented by the committee to the Governor and General Assembly. The report, which Mr. Mathers reviewed, included information on participation in the program by region, program type, applicant type and bank. Mr. Mathers noted that total linked deposits increased over the last year 47% from \$125.8 million to \$185.3 million. Agricultural programs remained the most popular programs, but the Small Business Program showed the greatest increase in participation in the second year, increasing 52% from \$19.5 million in deposits to \$44.0 million.

There was discussion regarding the lack of participation in certain areas. Mr. Mathers noted that staff had several good discussions with banks in these areas, but there were a variety of reasons why some banks chose not to participate, including the historically high level of loan demand (which is now falling), State law's collateralization requirements, and some banks' perceptions of the administrative requirements for the program. Mr. Bracht confirmed that these factors have influenced some banks' lack of participation. In reviewing the list of banks that participated in the program, Mr. Grace inquired about Boone County National Bank.

Ms. Smith moved to accept the report presented and Mr. Grace seconded. The motion passed unanimously.

Mr. Mathers then reviewed possible legislation affecting the linked deposit program that the State Treasurer's Office is considering for 2008. These include a revision to the maximum number of employees for the Small Business Program from the current maximum of 25 to either 50 or 100, as Mr. Mathers explained that either 50 or 100 employees was a more common definition for small businesses. Mr. Grace noted that the Quality Jobs Act defines small businesses as having 100 or fewer employees. Mr. Mathers also indicated that the office may again attempt to modify the Job Enhancement program to allow greater flexibility for capital-intensive expansions of businesses that create new jobs or retain jobs. Ms. Steelman gave

several examples of this situation and noted possible reasons for why this change in the law has not passed. Mr. Grace offered to have the Department of Economic Development review the bill's proposed language and make suggestions.

Ms. Smith moved to adjourn the meeting and Mr. Grace seconded. The meeting was adjourned.