

SENATE BILL REPORT

2SSB 5243

As of Second Reading, March 1, 2000

Title: An act relating to the linked deposit program.

Brief Description: Modifying the linked deposit program.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Kline, Winsley, Franklin, Prentice, Brown and Costa).

Brief History:

Committee Activity: Commerce, Trade, Housing & Financial Institutions: 2/11/99; 1/27/00 [DPS].

Ways & Means: 2/1/00, 2/8/2000 [DP2S].

SENATE COMMITTEE ON COMMERCE, TRADE, HOUSING & FINANCIAL INSTITUTIONS

Majority Report: That Substitute Senate Bill No. 5243 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Shin, Vice Chair; Gardner, Hale, Heavey, Rasmussen, T. Sheldon and Winsley.

Staff: Dave Cheal (786-7576)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5243 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Loveland, Chair; Bauer, Vice Chair; Brown, Vice Chair; Fairley, Fraser, Kline, Kohl-Welles, Rasmussen, B. Sheldon, Snyder, Spanel, Winsley and Wojahn.

Staff: Steve Jones (786-7440)

Background: The linked deposit program was established in 1993 by the Legislature. Under that program, the treasurer deposits certain state funds in public depositories on the condition that the public depository make qualifying loans under the program. The program is capped at \$50 million. "Qualifying loans" are loans that are made to minority or women's business enterprises that are defined as small businesses, for a period not to exceed 10 years, and at an interest rate that is at least two percentage points below the market rate that normally would be charged for a loan of that type. Points or origination fees are limited to 1 percent of the loan principal. In turn, the bank or other public depository pays an interest rate on the certificate of deposit equal to 2 percent below the market rate for such certificates.

Participating lenders are not required to change their underwriting practices.

Summary of Bill: The sunset provision in the linked deposit statute is extended until June 30, 2004. The amount available for the program is increased from \$50 million to \$75 million. Recommendations of the Joint Legislative Audit and Review Committee are incorporated: (1) A limit per borrower is established of \$750,000, unless the borrower is a construction company, in which case the limit is \$1,000,000. (2) Monitoring is required to make sure borrowers are certified minority or women owned businesses, and to gather certain other data. (3) The Department of Community, Trade, and Economic Development is directed to establish performance measurement standards and provide a one-time report to the Legislature. The interest rate on qualifying loans may not exceed the rate charged to its lowest credit risk commercial customer.

Appropriation: None.

Fiscal Note: Available

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This program has helped many small businesses that are certified as a minority or women owned business. For a small state investment in reduced return on short-term certificates, many new jobs have been created. The program should be continued, expanded, and the sunset provisions removed. The program will be improved by the involvement of Community Development Financial Institutions.

Testimony Against: The program should continue, but without limitation as to each borrower, and without the participation of community development financial institutions.

Testified: Eddie Rye, National black Chamber of Commerce (con); J. J. Jones, Pacific NW Chapter Nat'l Black Chamber of Commerce (con); Constance Bown, The Snowden Co. (con); Anne Symonds, Symonds Consulting Engineers (pro w/concerns); James Thomas, Community Capital Development (pro); Bruce Koppe, WA Bankers Assn. (pro); Scott Gaspard, WA Saving League (pro).