

***Financial Institutions &
Insurance Committee***

HB 1445

Brief Description: *Managing short-term treasury surplus funds.*

Sponsors: *Representatives Kessler, Lambert, Ogden, Edmonds, Kagi, Dickerson, Jackley, Fromhold, Keiser, Veloria, Miloscia, Cody and McDermott; by request of State Treasurer.*

Brief Summary of Bill

- *The State Treasurer may yearly use up to 75 million dollars of surplus state funds for deposit in the Link Deposit Program.*
- *The sunset provisions pertaining to the Linked Deposit Program are repealed*

Hearing Date: *2/7/01*

Staff: *Thamas Osborn (786-7129).*

Background:

One of the duties of the State Treasurer (treasurer) is to oversee the management of short term treasury surplus funds in order to ensure a maximum return while they are on deposit in public depositories. The framework for the management of such funds is determined by statute, but the treasurer has considerable discretionary authority, including rule-making authority, with respect to the promulgation and implementation of the necessary procedures. The goal of the procedures is to minimize non-interest earning demand deposits and provide fair compensation to financial institutions for services rendered to the state through the investment of state funds in time deposits.

The treasurer regularly has surplus funds available. The treasurer limits the amount of funds that must be kept in demand deposits to the amount necessary for current operating expenses and to efficiently manage the treasury. Surplus funds not in demand deposits generally are held in certificates of deposit.

The Linked Deposit Program was established in 1993 by the Legislature using surplus funds not required to be in demand deposits. Under that program, the treasurer deposits surplus state funds in public depositories as a certificate of deposit on the condition that the public depository make qualifying loans under the program. 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 ten 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.

The treasurer may currently use up to 50 million dollars per year of surplus funds for deposit in the Linked Deposit Program..

The statutes authorizing the creation of the Link Deposit Program are subject to repeal as of June 30, 2001, pursuant to sunset provisions enacted in 1993.

Summary of Bill:

The amount of surplus funds that the treasurer may deposit each year in the Link Deposit Program is increased from 50 million to 75 million dollars.

The sunset provisions pertaining to the Link Deposit Program are repealed.

Appropriation: *None.*

Fiscal Note: *Requested on February 2, 2001.*

Effective Date: *The bill contains an emergency clause and takes effect immediately.*