

# FINAL BILL REPORT

## SHB 2456

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Synopsis as Enacted

**Brief Description:** Modifying provisions relating to the linked deposit program.

**Sponsors:** By House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Kessler, Hankins, Cooper, Chase, Conway, Jackley, Veloria, Ogden, Kenney, McDermott and McIntire; by request of Department of Community, Trade, and Economic Development).

**House Committee on Financial Institutions & Insurance**

**House Committee on Finance**

**Senate Committee on Labor, Commerce & Financial Institutions**

**Senate Committee on Ways & Means**

### **Background:**

The State 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 certain minority or women's business enterprises for a period not to exceed 10 years and at an interest rate that is at least 2 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.

Recipients of loans under the linked deposit program must be certified as a minority or women's business enterprise by the Office of Minority and Women's Business Enterprises (OMWBE). Also, such loan recipients must meet the definition of "small business" as determined by the Department of Community, Trade, and Economic Development (the department).

The department is required to consult with the State Treasurer for the purpose of monitoring the performance of the program.

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

The statutes authorizing the Linked Deposit Program are subject to repeal as of June 30, 2003, pursuant to current sunset provisions.

**Summary:**

The business that receives a loan under the linked deposit program is no longer required to meet the statutory definition of small business,— but the requirement of certification by the OMWBE is retained. The loss of this certification requires that the lender reduce the loan amount by the amount of the outstanding balance (i.e., the lender may not provide any additional loan money to the recipient).

The OMWBE must compile data on the businesses that have received loans under the program, notify the treasurer of any businesses that lose certification, and provide an analysis of the decertification. This is to be done in consultation with the treasurer and the department.

The department, in consultation with the OMWBE, is required to monitor the performance of loans made under the linked deposit program and to develop indicators to measure job creation, job retention, and access to capital.

The linked deposit program's termination date is moved to June 30, 2008.

**Votes on Final Passage:**

House 98 0  
Senate 36 12 (Senate amended)  
House 97 0 (House concurred)

**Effective:** June 13, 2002