

SENATE BILL REPORT

SB 6388

As Reported By Senate Committee On:
Labor, Commerce & Financial Institutions, January 21, 2002

Title: An act relating to the linked deposit program.

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

Sponsors: Senators Prentice, Franklin, Regala, Kline, Keiser and Gardner; by request of Department of Trade and Economic Development.

Brief History:

Committee Activity: Labor, Commerce & Financial Institutions: 1/17/02, 1/21/02 [DP-WM, DNP].

SENATE COMMITTEE ON LABOR, COMMERCE & FINANCIAL INSTITUTIONS

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Prentice, Chair; Keiser, Vice Chair; Franklin, Gardner, Rasmussen, Regala and Winsley.

Minority Report: Do not pass.

Signed by Senators Benton and Hochstatter.

Staff: Dave Cheal (786-7576)

Background: The linked deposit program was established in 1993 by the Legislature. Under the program the Treasurer deposits certain short term funds in public depositories on the condition that the public depository make qualifying loans. "Qualifying loans" are those made to certified minority or women's businesses, for a period not to exceed 10 years, and at an interest rate at least two percentage points below the market rate that normally would be charged for a loan of that type. 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.

The authorizing legislation contained a sunset provision, effective June 30, 2001. The program was terminated by statute, effective June 30, 2000. Both of these dates were extended by the Legislature in 2001.

The Joint Legislative Audit and Review Committee reviewed the program in the summer of 1999. It recommended that measurements be established for job creation and retention, and providing access to capital by minority or women's business enterprises.

Summary of Bill: Qualifying loans are for a term of ten years or less, made to a certified minority or women's business enterprise, with an interest not to exceed the lenders prime rate. The origination fee may not exceed 1 percent of the loan principal. If a borrower loses its certification as a women or minority owned business, the Treasurer must notify the lender who must reduce the loan principal by the amount of the outstanding balance of the loan to the decertified borrower.

The Department of Community, Trade, and Economic Development, in consultation with the Treasurer and Office of Minority and Women's Business Enterprise, must monitor the performance of loans made, including indicators to measure job creation and retention, and providing access to capital by minority and women's businesses.

The termination and repeal statutes are repealed.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This is a valuable economic development tool that has allowed women and minority owned businesses to survive and grow. Access to capital continues to be a major problem for those businesses, and this program addresses that need. The bill contains monitoring and evaluation procedures that were recommended by the Joint Legislative Audit and Review Committee.

Testimony Against: None.

Testified: PRO: Ahndrea Blue, Executive Policy Office; Sung Yang, Office of Trade & Economic Development; Irene Reyes, Excel Gloves and Safety Supplies; Yvonne Blumenthal, U.S. Bank; Judith Olsen, Pacific Northwest Bank; Denny Eliason, WA Bankers Assn.; Earl Vinson, Vinson Brothers Corp.