

SENATE BILL REPORT

SHB 2906

As Reported By Senate Committee On:
Economic Development, February 20, 2004
Ways & Means, February 26, 2004

Title: An act relating to increasing the funding for the linked deposit program for minority and women's business loans.

Brief Description: Increasing the funding for the linked deposit program for minority and women's business loans.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Pettigrew, Veloria, McDonald, Priest, Hudgins, Skinner, Darneille, Eickmeyer, D. Simpson, McCoy, Wallace, Kessler, Schual-Berke, G. Simpson, Upthegrove, Wood, Kenney, Morrell, Ormsby and Conway).

Brief History:

Committee Activity: Economic Development: 2/18/04, 2/20/04 [DP-WM].
Ways & Means: 2/25/04, 2/26/04 [DPA, DNP].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

Majority Report: Do pass and be referred to Committee on Ways & Means.
Signed by Senators T. Sheldon, Chair; Hale, Murray, B. Sheldon and Shin.

Staff: Jack Brummel (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Zarelli, Chair; Hewitt, Vice Chair; Parlette, Vice Chair; Carlson, Doumit, Fairley, Fraser, Hale, Pflug, Prentice, Rasmussen, Regala, Roach, Sheahan and B. Sheldon.

Minority Report: Do not pass.
Signed by Senator Honeyford.

Staff: Steve Jones (786-7440)

Background: Surplus treasury funds. 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.

Linked Deposit Program. 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. Current law defines "qualifying loans" as those 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.

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

Summary of Amended Bill: The amount the Treasurer may deposit in the Linked Deposit Program is increased from \$50 million per year to \$55 million per year. New deposits may not be made in the program when the effective interest rate on certificates of deposits is less than 2 percent.

Amended Bill Compared to Substitute Bill: The amended bill establishes the size of the investment pool at \$55 million, instead of \$65 million.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 5, 2004.

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

Testimony For: The linked deposit loan program is an effective job-creation program. Increasing the pool of available funds will help to address the 13-month waiting list for loans under this program.

Testimony Against: None.

Testified: Carolyn Crowson, OMWBE.