

SENATE BILL REPORT

SB 5086

As Passed Senate, February 25, 2005

Title: An act relating to the rural Washington loan fund.

Brief Description: Modifying rural Washington loan fund provisions.

Sponsors: Senators Shin, Schoesler and Rasmussen; by request of Department of Community, Trade, and Economic Development.

Brief History:

Committee Activity: International Trade & Economic Development: 1/18/05, 2/2/05 [DP].
Passed Senate: 2/25/05, 46-0.

SENATE COMMITTEE ON INTERNATIONAL TRADE & ECONOMIC DEVELOPMENT

Majority Report: Do pass.

Signed by Senators Shin, Chair; Sheldon, Vice Chair; Pflug, Ranking Minority Member; Doumit, Eide, Roach and Zarelli.

Staff: Jack Brummel (786-7428)

Background: The Washington State Development Loan Fund was created in 1985 using federal community development block grant (CDBG) funds. The purpose was to provide capital to promote economic development and job creation in distressed areas. The fund is used to make grants to local governments which in turn use the grants for loans to businesses. In 1999 the name of the fund was changed to the Rural Washington Loan Fund (RWLF).

Under the law establishing the treasury income account, the State Treasurer is to credit the general fund with all earnings from the investment of surplus balances from state funds or accounts unless the funds or accounts are specifically exempted. The RWLF is not listed in statute as exempt from this requirement.

Federal regulations require that interest income earned by use of CDBG funds must retain its federal character but may be applied to the uses to which the original funds were put. While under current practice the State Treasurer transfers interest generated by the RWLF back to it, there is potential for confusion about the nature of the interest income because the Office of Financial Management has labeled the funds in the RWLF "state funds".

Summary of Bill: The Rural Washington Loan Fund is exempted from the requirement that earnings in the treasury income account are to be credited to the general fund. The RWLF is to receive its proportionate share of earnings of investments of its surplus balances.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains several effective dates. Please refer to the bill.

Testimony For: This is necessary to avoid an audit finding from the federal government regarding the interest earnings.

Testimony Against: None.

Who Testified: PRO: VictorVasquez, CTED.