

FINAL BILL REPORT

2SSB 5782

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Synopsis as Enacted

Brief Description: Modifying provisions of the linked deposit program.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Shin, Prentice, Franklin, Kline, Kohl-Welles and Berkey; by request of Governor Gregoire).

Senate Committee on International Trade & Economic Development

Senate Committee on Ways & Means

House Committee on Financial Institutions & Insurance

House Committee on Finance

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 (OMWBE). The Department of Community, Trade, and Economic Development is responsible for monitoring the performance of the loans.

The Treasurer may use up to \$50 million per year of surplus funds for deposit in the Linked Deposit Program. The program is scheduled to terminate in 2008.

Summary: The amount the Treasurer may deposit in the Linked Deposit Program is increased to \$100 million per year. The definition of "qualifying loan" is amended to limit the amount of a loan to \$1 million or less.

The preference given banks is to be lowered to ensure that the effective interest rate on a CD is not less than two percent, and banks may make an equivalent reduction in the preference given on a loan. The responsibility for monitoring the performance of the loans under the program is transferred to OMWBE.

The provisions for termination of the program are repealed.

Votes on Final Passage:

Senate	39	7	
House	89	7	(House amended)
Senate	37	9	(Senate concurred)

Effective: July 24, 2005