

SENATE BILL REPORT

2SSB 5782

As Passed Senate, March 15, 2005

Title: An act relating to the linked deposit program.

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).

Brief History:

Committee Activity: International Trade & Economic Development: 2/8/05, 2/17/05[DPS-WM].

Ways & Means: 3/4/05, 3/7/05 [DP2S].

Passed Senate: 3/15/05, 39-7.

SENATE COMMITTEE ON INTERNATIONAL TRADE & ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 5782 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

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

Staff: Jack Brummel (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5782 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Prentice, Chair; Doumit, Vice Chair; Fraser, Vice Chair; Zarelli, Ranking Minority Member; Brandland, Fairley, Hewitt, Kohl-Welles, Parlette, Pflug, Pridemore, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Thibaudeau.

Staff: Paula Faas (786-7449)

Background: The Linked Deposit program began in 1993. The program provides state certified minority-owned and women-owned businesses reduced interest rate loans for the purpose of increasing their access to capital.

The State Treasurer may use up to \$50 million of short-term state treasury surplus funds. These funds are deposited into public depositories as certificates 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 normally 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 loan applicant must be a minority and/or a woman; own at least 51 percent of the business; and control the business.

The Department of Community, Trade, and Economic Development currently monitors 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 sunset in 2008.

Summary of Bill: The sunset clause is repealed. The definition of "qualifying loan" is amended to limit the amount of a loan to \$ 1 million or less. The State Treasurer shall reduce the amount of the preference to ensure the effective interest rate on the certificate of deposit is not under two percent. If the discounted interest rate given to a qualified public depository is less than 2 percent, the participating financial institutions 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.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Testimony For: This program has a proven track record. The bill will greatly help minority and women owned businesses to access capital. Businesses benefitting from the Linked Deposit program add jobs to the economy. The \$1 million loan ceiling will help ensure wider availability of loans. There is an eleven month waiting list on this program. The banks have 100 percent responsibility for the loans and the state has no liability.

Testimony Against: None.

Who Testified: PRO: Ellen Abellera, Commission on Asian Pacific American Affairs; Duane Hill, Griffin, Hill & Assoc.; Lincoln Ferris, Coalition for Investing in WA Jobs; Carolyn Crowson, OMWBE, Doug Extine, Barton Potter; Office of State Treasurer; Zelma Jackson, Commission on African American Affairs; Peter Antolin, OFM.

House Amendment: The amendment increases the amount of surplus funds available for the program from \$50 million to \$100 million.

Passed House: 89-7.