

FINAL BILL REPORT

ESHB 1512

C 500 L 07

Synopsis as Enacted

Brief Description: Increasing the amount the treasurer may use for the linked deposit program.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Hasegawa, Haler, Pettigrew, Skinner, Santos, Hankins, Kenney, Walsh, McCoy, Kirby, Schual-Berke, Chase, Williams, Roberts, P. Sullivan, Hudgins, Ericks, Darneille, Kagi and Ormsby).

House Committee on Insurance, Financial Services & Consumer Protection

House Committee on Finance

Senate Committee on Financial Institutions & Insurance

Senate Committee on Ways & Means

Background:

The Linked Deposit Program (Program) was created in 1993. The stated purpose of the Program is to increase access to business capital for the state's certified minority-owned and women-owned businesses. Under the Program, certified businesses can obtain reduced interest rate loans from participating financial institutions.

The State Treasurer is authorized to use up to \$100 million of short-term state treasury surplus funds for the Program. These funds are deposited with public depositories as certificate of deposits (CDs) on the condition that the public depository make "qualifying loans" under the Program. The state forgoes up to 2 percent in interest on the CDs and passes along the savings to the public depository with the condition that the depository reduces the interest rate for the loan recipients. The State Treasurer must reduce the amount of the preference to ensure that the effective interest rate on the certificate of deposit is not less than 2 percent. If the preference given to a qualified public depository is less than 200 basis points, the qualified public depository may reduce the interest rate on the loans by an amount that corresponds to the reduction in the preference below 200 basis points.

Qualifying loans are loans:

- made to certain minority or women's business enterprises;
- for a period not to exceed 10 years;
- for up to a maximum amount of \$1 million for each individual loan;
- 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; and
- with points or origination fees are limited to 1 percent of the loan principal.

To be eligible the applicant must:

- be a minority and/or a woman;
- have at least 51 percent of ownership of the business; and

- control the business.

Three state agencies are involved in the Program. The State Treasurer is authorized to fund the Program. The Office of Minority and Women's Business Enterprises (OMWBE) certifies the eligibility of the businesses, monitors the performance of loans, and compiles information on borrowers in the program. The Department of Community, Trade and Economic Development provides technical assistance and loan packaging services and, in consultation with the OMBWE, develops performance indicators for the Program.

Summary:

The State Treasurer is authorized to use up to \$150 million of short-term state treasury surplus funds for the Linked Deposit Program.

The Office of the Minority and Women's Business Enterprises is granted the authority to adopt rules to:

- ensure priority to businesses that have never received a loan under the program;
- limit total principal loan amounts received during the lifetime of the business and the lifetime of the business owner; and
- limit the total amount of any single qualified loan under the program.

The act is null and void if not funded in the budget.

Votes on Final Passage:

House	98	0	
Senate	41	8	(Senate amended)
House	96	1	(House concurred)

Effective: July 22, 2007