

SENATE BILL REPORT

ESHB 1512

As Reported By Senate Committee On:
Financial Institutions & Insurance, March 27, 2007
Ways & Means, April 2, 2007

Title: An act relating to the linked deposit program.

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

Sponsors: 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).

Brief History: Passed House: 3/08/07, 98-0.

Committee Activity: Financial Institutions & Insurance: 3/21/07, 3/27/07 [DP-WM].
Ways & Means: 4/02/07 [DPA, DNP]

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Berkey, Chair; Hobbs, Vice Chair; Franklin, Hatfield and Prentice.

Staff: Vanessa Firnhaber-Baker (786-7471)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Hatfield, Hobbs, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

Minority Report: Do not pass.

Signed by Senator Honeyford.

Staff: Steve Jones (786-7440)

Background: The linked deposit program links the deposit of state funds by the State Treasurer to loans made by banks to minority and women-owned businesses. The deposits of the state funds are made at below-market rates, the banks receiving the deposits then passing the savings on to the linked deposit borrowers in the form of an interest rate reduction of no more than 2 percent. The program is operated by the Department of Community, Trade, and

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Economic Development, the Office of Minority and Women's Business Enterprises, and the Office of the State Treasurer.

Currently, the State Treasurer is authorized to use up to \$100 million of the state's short-term surplus funds to purchase certificates of deposit for the linked deposit program.

Summary of Engrossed Substitute Bill: The State Treasurer is authorized to use up to \$200 million of the state's short term surplus funds to purchase certificates of deposits for the linked deposit program. The State Treasurer is not required to make deposits for the linked deposit program unless the State Treasurer has an additional full time employee (FTE) who is dedicated to administering the linked deposit program. There must be an appropriation made to the State Treasurer's Office, in the omnibus appropriations act, for the purpose of providing an employee to administer the program by June 30, 2007, or the act creating the linked deposit program is null and void. The act takes affect on the first day of the month following the State Treasurer's determination that the required appropriation has been made.

The Office of 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 the 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.

EFFECT OF CHANGES MADE BY RECOMMENDED AMENDMENT(S) AS PASSED COMMITTEE (Ways & Means): The State Treasurer is authorized to use up to \$150 million for the linked deposit program. The expansion of the program is made contingent on funding being appropriated in the state budget, but a determination by the State Treasurer is not required for the bill to take effect.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on the first day of the month following the State Treasurer's determination that one additional FTE is dedicated to the deposit investment program. However, the bill is null and void if not funded in the budget.

Staff Summary of Public Testimony (Financial Institutions & Insurance): PRO: The State Treasurer and Office of Minority and Women's Business Enterprises support this bill. With an additional employee and this rulemaking authority, we can move the money faster to eligible businesses. This is a popular program. It is all about investing today for tomorrow's rewards.

Persons Testifying (Financial Institutions & Insurance): PRO Carolyn Crowson, Office of Minority and Women's Business Enterprises.

Staff Summary of Public Testimony (Ways & Means): PRO: The State Treasurer and Office of Minority and Women's Business Enterprises support this bill. With an additional

employee and this rulemaking authority, we can move the money faster to eligible businesses. This is a popular program. It is all about investing today for tomorrow's rewards.

Persons Testifying (Ways & Means): PRO: Doug Extine, Office of the State Treasurer.