

SENATE BILL REPORT

SB 5666

As Reported By Senate Committee On:
Financial Institutions & Insurance, February 6, 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: Senators Marr, Kohl-Welles, Brown, Hobbs, Keiser, Franklin, Kastama, Kilmer and Kline.

Brief History:

Committee Activity: Financial Institutions & Insurance: 1/31/07, 2/6/07 [DPS-WM].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: That Substitute Senate Bill No. 5666 be substituted therefor, and the substitute bill 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)

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 pass 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 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 Bill: The bill as referred to committee not considered.

SUMMARY OF PROPOSED SUBSTITUTE AS PASSED COMMITTEE (Financial Institutions & Insurance): 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 treasurer has an additional full time employee who is dedicated to administering the linked deposit program. There must be an appropriation made to State Treasurer's Office, in the omnibus appropriations act, for the purpose of providing an employee to administer the

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program by June 30, 2007, or the act creating the linked deposit program is null and void. The act takes effect on the first day of the month following the State Treasurer's determination that the required appropriation has been made.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: This program needs additional funds because there is currently a wait list of two years. In order to operate this program, the state treasurer needs an additional employee. The funds that can be used for this program have increased from \$50 million to \$100 million and may increase again and the state treasurer has never been given an appropriation to administer this growing program. Both the banking community and the small business community are in favor of this bill. This program is a proven success, it has increased access to capital for many women and minority owned businesses. The effects of discrimination against minority and women owned businesses in the public contract arena are remedied to an extent through providing access to these lower interest loans because it helps to level the playing field. Inability to access capital is a reason for the lack of participation of minority businesses in contracting for public works. The link deposit program does not just help the individual businesses, it also helps communities because the businesses that benefit from the loans increase their payroll and hire more employees. The true fiscal impact of this bill is not so great because these loans serve to increase the businesses' revenues, which in turn increases the amount of business and occupation tax that is paid to the state. This bill will stimulate economic activity.

Persons Testifying: PRO: Senator Marr, prime sponsor; Glenn Gregory, Dan Seydel, Velma Veloria, Tabor 100; Ruben Del Valle, Filipino Chamber of Commerce; Lincoln Ferris, Washington Association of Small Business Owners; Denny Eliason, Washington Bankers Association; Carolyn Crowson, Office of Minority and Women's Business Enterprises.