

SENATE BILL REPORT

EHB 1167

As Reported by Senate Committee On:
Financial Institutions, Housing & Insurance, March 25, 2009
Ways & Means, April 6, 2009

Title: An act relating to the linked deposit program.

Brief Description: Studying the linked deposit program.

Sponsors: Representatives Hasegawa, Kenney, Simpson, Chase and Santos.

Brief History: Passed House: 2/23/09, 95-0.

Committee Activity: Financial Institutions, Housing & Insurance: 3/18/09, 3/25/09 [DPA].
Ways & Means: 4/06/09 [DPA(FIHI)].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

Majority Report: Do pass as amended.

Signed by Senators Berkey, Chair; Hobbs, Vice Chair; Franklin, McDermott, Parlette and Schoesler.

Staff: Philip Brady (786-7460)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended by Committee on Financial Institutions, Housing & Insurance.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Tom, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Hobbs, Honeyford, Keiser, Kline, Kohl-Welles, McDermott, Murray, Oemig, Parlette, Pflug, Pridemore, Regala, Rockefeller and Schoesler.

Staff: Steve Jones (786-7440)

Background: The Linked Deposit Program (Program) was created 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 deposit up to \$190 million of short-term State Treasury surplus funds in public depositories as certificates of

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deposit (CDs) in exchange for the public depository making "qualifying loans." A qualifying loan is one to women, minorities, or veteran-owned businesses, and cannot exceed \$1 million per business or have a repayment period greater than ten years. The state forgoes up to 2 percent in interest on the CDs and the depository reduces the interest rate for the loan recipients by the same amount. The State Treasurer must reduce the amount of the preference to ensure that the effective interest rate on the CD is not less than 2 percent, and the qualified public depository may reduce the interest rate on the loans by an amount that corresponds to the reduction in the state preference.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Recommended Amendments): The Office of Minority and Women's Business Enterprises must make a report to the Legislature by December 1, 2009. The report must include recommendations in a variety of areas, including how many loans are not being funded under the Program and approaches to increasing access to capital.

The State Treasurer may reduce the effective interest rate the state receives on CDs to zero percent.

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 (Financial Institutions, Housing & Insurance): PRO: This would allow the Linked Deposit Program to begin making loans again. At the moment, banks can only make these loans at a loss.

Persons Testifying (Financial Institutions, Housing & Insurance): PRO: Jim McIntire, Washington State Treasurer.

Staff Summary of Public Testimony (Ways & Means): None.

Persons Testifying (Ways & Means): No one.