

# SENATE BILL REPORT

## SB 5341

---

---

As of February 5, 2015

**Title:** An act relating to the linked deposit program.

**Brief Description:** Concerning the linked deposit investment program.

**Sponsors:** Senators Hasegawa and Chase.

**Brief History:**

**Committee Activity:** Financial Institutions & Insurance: 1/29/15.

---

### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Staff:** Shani Bauer (786-7468)

**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 use up to \$175 million of the state's short-term surplus funds to purchase certificates of 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 Program links the state's surplus fund deposits to the commercial loans that financial institutions make to certified minority and women's business enterprises. Two percent of the interest that is earned on the state's CD is used to reduce the interest rate that would otherwise be charged to a certified business for its loan or other financing. If the interest rate returns earned by the state on the CDs fall below 2 percent, banks are allowed to reduce the interest rate reduction passed onto the firms by an equivalent amount.

The Office of Minority and Women's Business Enterprises (OMWBE) is authorized to adopt rules implementing the Program to:

- ensure businesses that have never received a loan under the Program are given first priority;
- limit the total principal loan amount that any one business or owner may receive over the business or owner's lifetime;
- limit the total amount of any one loan under the Program; 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.*

- ensure that loans are made to qualifying businesses.

There are currently 24 financial institutions participating in the Program. The Program, however, is not a loan or loan guarantee; the state cannot help a firm obtain a business loan. Firms must independently satisfy their bank's financing or loan criteria.

**Summary of Bill:** The Program funding limit is amended. The Treasurer is authorized to use an additional \$25 million of short-term state treasury surplus funds for the existing Program for minority or women-owned businesses.

OMWBE's authority to adopt rules regarding specific attributes of the Program is removed. OMWBE may adopt rules as necessary to carry out the purposes of the Program.

**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: The available funds are being used in their entirety and there has always been a waitlist of applicants. Increased funds could certainly be utilized by additional businesses. For every dollar spent on the program, \$1.74 is generated in the community. The agency would be looking to leverage the increase of funds for the benefit of the community. Businesses have used funds to save employees from layoff, purchase a building to save money as opposed to renting, or expand their businesses into other avenues.

**Persons Testifying:** PRO: Senator Hasegawa, prime sponsor; Amanda Migchelbrink, OMBWE; Brenda Brown, U.S. Bank.