

SENATE BILL REPORT

SB 6085

As Passed Senate, February 7, 2018

Title: An act relating to the linked deposit program.

Brief Description: Addressing the linked deposit program.

Sponsors: Senators Hasegawa, Keiser, Chase and Mullet.

Brief History:

Committee Activity: Financial Institutions & Insurance: 1/16/18, 1/18/18 [DP, w/oRec].

Floor Activity:

Passed Senate: 2/07/18, 48-0.

Brief Summary of Bill

- Adds \$10 million per year to the Linked Deposit Program (Program) for loans to veteran-owned businesses and adds prioritization criteria for awarding loans to qualified businesses.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass.

Signed by Senators Mullet, Chair; Hasegawa, Vice Chair; Angel, Ranking Member; Fortunato, Hobbs and Kuderer.

Minority Report: That it be referred without recommendation.

Signed by Senator Baumgartner.

Staff: Jeff Olsen (786-7428)

Background: The Program was created to increase access to business capital for the state's certified minority-owned, women-owned, and veteran-owned businesses. Under the Program, the state treasurer may use up to \$190 million of the state's short-term surplus funds to allow certified businesses to obtain reduced interest rate loans from participating financial institutions. Up to \$15 million per year of the total program amount is provided for veteran-owned businesses, with the remaining \$175 million in funding allocated to minority-

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owned and women-owned businesses. A qualifying loan cannot exceed \$1 million per business or have a repayment period greater than ten years.

The Office of Minority and Women's Business Enterprises (OMWBE) must 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
- ensure that loans are made to qualifying businesses.

Summary of Bill: The state treasurer is authorized to use an additional \$10 million per year for the Program, with the funds specifically allocated to veteran-owned businesses. This adjustment increases the total funding dedicated to veteran-owned businesses from \$15 million to \$25 million per year.

A line of credit issued under the Program that has a zero balance for 12 or more months will be removed. The OMWBE must prioritize loans that create jobs in underserved communities that have inadequate access to capital, and are targeted for applicants that do not currently have loans with other small business lending agencies.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: This bill provides an increase in funding to allow certified veteran-owned businesses access to loans and also important policy changes that would direct loans to businesses that create jobs. The Linked Deposit Program is a partnership with community banks that provide below market rate loans to qualified businesses.

OTHER: The Department of Veterans Affairs has over 1000 certified veteran-owned businesses, and currently there is a waiting list for funding. The policy change that requires lines of credit that have not been used in the past year to be removed from the program will also free up resources for qualified businesses seeking a loan through the program.

Persons Testifying: PRO: Senator Hasegawa; Brad Tower, Community Bankers of Washington.

OTHER: Heidi Audette, Washington State Department of Veterans Affairs.

Persons Signed In To Testify But Not Testifying: No one.