

# SENATE BILL REPORT

## SB 5167

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As of February 6, 2019

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

**Brief Description:** Addressing the linked deposit program.

**Sponsors:** Senators Hasegawa, Saldaña, Darneille, Frockt, Keiser, Nguyen and Mullet.

**Brief History:**

**Committee Activity:** Financial Institutions, Economic Development & Trade: 1/22/19, 1/24/19 [DPS-WM].

**Ways & Means:** 2/05/19.

**Brief Summary of First Substitute Bill**

- Increases the limit for qualifying loans made to veteran-owned businesses from \$15 million per year to \$25 million per year.
- Adds additional criteria that the Office of Minority and Women's Business Enterprises must use to prioritize loans in the Linked Deposit Program.

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**SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, ECONOMIC DEVELOPMENT & TRADE**

**Majority Report:** That Substitute Senate Bill No. 5167 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Mullet, Chair; Hasegawa, Vice Chair; Wilson, L., Ranking Member; Das, Ericksen and Hobbs.

**Staff:** Clint McCarthy (786-7319)

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**SENATE COMMITTEE ON WAYS & MEANS**

**Staff:** Sarian Scott (786-7729)

**Background:** The Linked Deposit Program (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

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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-owned and women-owned businesses. A qualifying loan is one to certified minority-owned, women-owned, and veteran-owned businesses, and 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 (First Substitute):** The limit for qualifying loans made to a veteran-owned business that has received state certification by the Department of Veterans Affairs is increased from \$15 million per year to \$25 million a year.

A line of credit issued under the program that has a zero balance for 12 or more months will be removed from the program. OMWBE must use additional criteria to 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.

The requirement for the Department of Commerce (Commerce) to provide technical assistance and loan packaging services is removed. OMWBE is directed to develop indicators that measure the performance of the linked deposit program. Previously, Commerce was directed to develop the indicators in consultation with OMWBE.

**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 on First Substitute (Financial Institutions, Economic Development & Trade):** PRO: This bill passed out of the Senate with no opposition last year. Currently, some of the certified owned businesses in the program are not creating jobs so as much as they were create wealth for individuals. This legislation tweaks the program to prioritize job creation. After the advent of I-200 in 1998, the number of firms in the program that get funding has dropped.

OTHER: Veterans were added to the linked deposit program in 2008. Currently, there are 12 businesses are on the waiting list.

**Persons Testifying (Financial Institutions, Economic Development & Trade):** PRO: Senator Bob Hasegawa, Prime Sponsor; Ted Wicorek, Veterans Legislative Coalition; Catherine Mele-Hetter, Office of the State Treasurer.

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

**Persons Signed In To Testify But Not Testifying (Financial Institutions, Economic Development & Trade):** OTHER: Brad Tower, Community Bankers of Washington.

**Staff Summary of Public Testimony on First Substitute (Ways & Means):** PRO: OMWBE certifies minority and small women owned businesses to participate in public contracting and procurement with the state. The linked deposit program is integral in providing financing capital to OMWBE and WDVA certified firms that have faced systemic barriers in funding their growth. Much needed increase in funds for WDVA to support their growing business population. Allows OMWBE to structure this program around creating jobs and economic opportunity to minority and women owned businesses. As of December 2018, there were 454 OMWBE certified businesses participating in this program. We do not currently have a wait list. This will help equitably distribute capital to the firms who need the funds the most. This bill allows OMWBE to develop indicators to measure performance.

We currently have over 1300 businesses who are certified through the WDVA program. The program started in 2007. In 2008, we were brought into the Linked Deposit program. We have had a waitlist since 2016. We currently have 13 loans that are on the wait list so the additional funds would allow us to clear the waiting list. Right now, we are letting business owners that it is approximately three years before their loans are added to the linked deposit program.

**Persons Testifying (Ways & Means):** PRO: Lisa van der Lugt, Office of Minority and Women's Business Enterprise; Heidi Audette, Washington State Department of Veterans Affairs.

**Persons Signed In To Testify But Not Testifying (Ways & Means):** No one.