

SENATE BILL REPORT

ESSB 5167

As Passed Senate, January 22, 2020

Title: An act relating to the linked deposit program.

Brief Description: Addressing the linked deposit program.

Sponsors: Senate Committee on Financial Institutions, Economic Development & Trade (originally sponsored by 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, 2/12/19 [DPS (FIET), w/oRec].

Floor Activity:

Passed Senate: 3/08/19, 48-0; 1/22/20, 46-0.

Brief Summary of Engrossed First Substitute Bill

- Removes lines of credit issued under the linked deposit program that have maintained a zero balance for 12 months or more from the program.
- Prioritizes underserved communities with inadequate access to capital and do not currently have loans with other small business lending agencies.

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)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

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.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Operating, Capital Lead; Mullet, Capital Budget Cabinet; Braun, Ranking Member; Brown, Assistant Ranking Member, Operating; Honeyford, Assistant Ranking Member, Capital; Carlyle, Conway, Darneille, Hasegawa, Hunt, Keiser, Liias, Pedersen, Van De Wege, Wagoner, Warnick and Wilson, L..

Minority Report: That it be referred without recommendation.

Signed by Senator Schoesler.

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 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 Engrossed First Substitute Bill: A line of credit issued under the program that has a zero balance for 12 or more months will be removed from the program. Underserved communities with inadequate access to capital and do not currently have loans with other small business lending agencies are prioritized over other applicants in the program.

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 Proposed Substitute (Financial Institutions, Economic Development & Trade): *The committee recommended a different version of the bill than what was heard.* 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.