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**SENATE BILL 5787**

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**State of Washington**

**67th Legislature**

**2022 Regular Session**

**By** Senators Nguyen, Dhingra, Frockt, Keiser, Kuderer, Llias, Lovick, Nobles, and Pedersen; by request of State Treasurer

Read first time 01/11/22. Referred to Committee on Business, Financial Services & Trade.

1 AN ACT Relating to the linked deposit program; amending RCW  
2 43.86A.030, 43.86A.040, and 43.86A.050; and reenacting and amending  
3 RCW 43.86A.060.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 43.86A.030 and 2010 c 139 s 1 are each amended to  
6 read as follows:

7 (1)(a) The state treasurer shall make funds available for a  
8 (~~time certificate of deposit~~) surplus funds investment program  
9 according to the following formula: The state treasurer shall  
10 apportion to all participating depositaries an amount equal to five  
11 percent of the three year average mean of general state revenues as  
12 certified in accordance with Article VIII, section 1(b) of the state  
13 Constitution, or fifty percent of the total surplus treasury  
14 investment availability, whichever is less. Within thirty days after  
15 certification, an amount equal to those funds determined to be  
16 available according to this formula for the (~~time certificate of~~  
17 ~~deposit~~) surplus funds investment program shall be available for  
18 deposit in qualified public depositaries. These funds shall be  
19 allocated among the participating depositaries on a basis to be  
20 determined by the state treasurer.

1 (b) The funds made available by the treasurer for a (~~time~~  
2 ~~certificate of deposit~~) surplus funds investment program under (a)  
3 of this subsection (1) may be provided from either treasury surplus  
4 funds or funds held pursuant to chapter 43.250 RCW.

5 (2) Of all state funds available under this section, the state  
6 treasurer may use up to one hundred seventy-five million dollars per  
7 year for the purposes of RCW 43.86A.060(2)(c) (i) and (iii) and up to  
8 fifteen million dollars per year for the purposes of RCW  
9 43.86A.060(2)(c)(ii). The amounts made available to these public  
10 depositaries shall be equal to the amounts of outstanding loans made  
11 under RCW 43.86A.060.

12 (3) The formula so devised shall be a matter of public record  
13 giving consideration to, but not limited to, deposits, assets, loans,  
14 capital structure, investments, or some combination of these factors.  
15 However, if in the judgment of the state treasurer the amount of  
16 allocation for (~~certificates of deposit~~) the surplus funds  
17 investment program as determined by this section will impair the cash  
18 flow needs of the state treasury, the state treasurer may adjust the  
19 amount of the allocation accordingly.

20 (4) Deposits and interest accrued thereon made through the  
21 surplus funds investment program must be protected against loss  
22 pursuant to RCW 39.58.020.

23 **Sec. 2.** RCW 43.86A.040 and 1973 c 123 s 4 are each amended to  
24 read as follows:

25 Except as provided in RCW 43.86A.020 and 43.86A.030, nothing in  
26 this chapter shall be construed as a limitation upon the powers of  
27 the state treasurer to determine the amount of surplus treasury funds  
28 which may be invested (~~in time certificates of deposit~~).

29 **Sec. 3.** RCW 43.86A.050 and 1973 c 123 s 5 are each amended to  
30 read as follows:

31 The state treasurer shall devise the necessary formulae and  
32 methodology to implement the provisions of this chapter.  
33 Periodically, but at least once every six months, the state treasurer  
34 shall review all rules and shall adopt, amend or repeal them as may  
35 be necessary. These rules and a list of (~~time certificate of~~  
36 ~~deposit~~) surplus funds investment allocations shall be published in  
37 the treasurer's monthly financial report as required under the  
38 provisions of RCW 43.08.150.

1       **Sec. 4.** RCW 43.86A.060 and 2009 c 385 s 3 and 2009 c 384 s 1 are  
2 each reenacted and amended to read as follows:

3       (1) The state treasurer shall establish a linked deposit program  
4 for investment of (~~deposits~~) surplus treasury funds in qualified  
5 public depositories. As a condition of participating in the program,  
6 qualified public depositories must make qualifying loans as provided  
7 in this section. The state treasurer may purchase (~~a certificate of~~  
8 ~~deposit~~) an investment instrument that is equal to the amount of the  
9 qualifying loan made by the qualified public depository or may  
10 purchase (~~a certificate of deposit~~) an investment instrument that  
11 is equal to the aggregate amount of two or more qualifying loans made  
12 by one or more qualified public depositories.

13       (2) Qualifying loans made under this section are those:

14       (a) Having terms that do not exceed ten years;

15       (b) Where an individual loan does not exceed one million dollars;

16       (c) (i) That are made to a minority or women's business enterprise  
17 that has received state certification under chapter 39.19 RCW;

18       (ii) That are made to a veteran-owned business that has received  
19 state certification under RCW 43.60A.190; or

20       (iii) That are made to a community development financial  
21 institution that is: (A) Certified by the United States department of  
22 the treasury pursuant to 12 U.S.C. Sec. 4701 et seq.; and (B) using  
23 that loan to make qualifying loans under (c) (i) of this subsection;

24       (d) Where the interest rate on the loan to the minority or  
25 women's business enterprise or veteran-owned business does not exceed  
26 an interest rate that is two hundred basis points below the interest  
27 rate the qualified public depository would charge for a loan for a  
28 similar purpose and a similar term, except that, if the preference  
29 given by the state treasurer to the qualified public depository under  
30 subsection (3) of this section is less than two hundred basis points,  
31 the qualified public depository may reduce the preference given on  
32 the loan by an amount that corresponds to the reduction in preference  
33 below two hundred basis points given to the qualified public  
34 depository; and

35       (e) Where the points or fees charged at loan closing do not  
36 exceed one percent of the loan amount.

37       (3) In setting interest rates of (~~time certificate of deposits~~)  
38 surplus funds invested for the linked deposit program, the state  
39 treasurer shall offer rates so that a two hundred basis point  
40 preference will be given to the qualified public depository, except

1 that the treasurer may lower the amount of the preference to ensure  
2 that the effective interest rate on the deposit is not less than zero  
3 percent.

4 (4) Upon notification by the state treasurer that a minority or  
5 women's business enterprise is no longer certified under chapter  
6 39.19 RCW or that a veteran-owned business is no longer certified  
7 under RCW 43.60A.190, the qualified public depository shall reduce  
8 the amount of qualifying loans by the outstanding balance of the loan  
9 made under this section to the minority or women's business  
10 enterprise or the veteran-owned business, as applicable.

11 (5) The office of minority and women's business enterprises has  
12 the authority to adopt rules to:

13 (a) Ensure that when making a qualified loan under the linked  
14 deposit program, businesses that have never received a loan under the  
15 linked deposit program are given first priority;

16 (b) Limit the total principal loan amount that any one business  
17 receives in qualified loans under the linked deposit program over the  
18 lifetime of the businesses;

19 (c) Limit the total principal loan amount that an owner of one or  
20 more businesses receives in qualified loans under the linked deposit  
21 program during the owner's lifetime;

22 (d) Limit the total amount of any one qualified loan made under  
23 the linked deposit program; and

24 (e) Ensure that loans made by community development financial  
25 institutions are qualifying loans under subsection (2)(c)(i) of this  
26 section.

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