

FINAL BILL REPORT

2SHB 1445

PARTIAL VETO

C 316 L 01

Synopsis as Enacted

Brief Description: Managing short-term treasury surplus funds.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Kessler, Lambert, Ogden, Edmonds, Kagi, Dickerson, Jackley, Fromhold, Keiser, Veloria, Miloscia, Cody and McDermott; by request of State Treasurer).

House Committee on Financial Institutions & Insurance

House Committee on Finance

Senate Committee on Labor, Commerce & Financial Institutions

Senate Committee on Ways & Means

Background:

One of the State Treasurer's duties is to oversee the management of short term treasury surplus funds to ensure a maximum return while these funds are on deposit in public depositories. The framework for the management of such funds is determined by statute, but the treasurer has considerable discretionary authority, including rule-making authority, with respect to promulgating and implementing necessary procedures. The goal of the procedures is to minimize non-interest earning demand deposits and provide fair compensation to financial institutions for services rendered to the state through the investment of state funds in time deposits.

The treasurer regularly has surplus funds available. The treasurer limits the amount of funds that must be kept in demand deposits to the amount necessary for current operating expenses and to efficiently manage the treasury. Surplus funds not in demand deposits generally are held in certificates of deposit.

The Linked Deposit Program was established in 1993 by the Legislature using surplus funds not required to be in demand deposits. Under that program, the treasurer deposits surplus state funds in public depositories as a certificate of deposit on the condition that the public depository make qualifying loans under the program. Qualifying loans— are loans that are made to minority or women's business enterprises that are defined as small businesses, for a period not to exceed 10 years, and at an interest rate that is at least two percentage points below the market rate that normally would be charged for a loan of that type. Points or origination fees are limited to 1 percent of the loan principal. In turn, the bank or other public depository pays an interest rate on the certificate of deposit equal to 2 percent below the market rate for such certificates.

The treasurer may use up to \$50 million per year of surplus funds for deposit in the Linked Deposit Program.

The statutes authorizing the creation of the Link Deposit Program are subject to repeal as of June 30, 2001, pursuant to sunset provisions enacted in 1993.

Summary:

The sunset provisions pertaining to the Linked Deposit Program are repealed.

The sunset date for the Linked Deposit Program is extended from June 30, 2001 to June 30, 2004.

Loans made under the Linked Deposit Program are to be made to a socially and economically disadvantaged business enterprise.– Language requiring that such loans be made to a minority or women’s business enterprise– is stricken.

Votes on Final Passage:

House 97 1
Senate 26 21

Effective: May 15, 2001

Partial Veto Summary: The requirement that loans made under the Linked Deposit Program be granted to a socially and economically disadvantaged business enterprise– is eliminated. This change has the effect of restoring the original statutory language requiring that loans made under the program be granted to a minority or women’s business enterprise.–