

***Financial Institutions &
Insurance Committee***

HB 1587

Brief Description: *Modifying provisions relating to the linked deposit program.*

Sponsors: *Representatives Veloria (co-prime sponsor), Dunn (co-prime sponsor), Kessler, Kenney, Conway, Ogden, O'Brien and Santos, Dunn; by request of Governor Locke.*

Brief Summary of Bill

- *Loans made under the linked deposit program are limited to one million dollars and interest cannot exceed the prime interest rate of the lender.*
- *The performance of businesses receiving loans under the linked deposit program are to be monitored by the Office of Minority and Women's Business Enterprises and the Department of Community, Trade, and Economic Development, in consultation with the State Treasurer.*
- *The sunset provisions pertaining to the linked deposit program are repealed.*

Hearing Date: *2/13/01*

Staff: *Thamas Osborn (786-7129).*

Background:

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 ten 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.

Recipients of loans under the linked deposit program must be certified as a minority or women's business enterprise by the Office of Minority and Women's Business Enterprises (OMWBE). Also, such loan recipients must meet the definition of "small business" as determined by the Department of Community, Trade, and Economic Development.

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

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

Summary of Bill:

In order to be a qualifying loan under the linked deposit program, the total loan amount is limited to one million dollars and the interest rate cannot exceed the prime interest rate of the lender.

The recipient business is no longer required to meet the definition of "small business", but the requirement of certification by the OMWBE is retained. The loss of this certification requires that the lender reduce the loan by the amount of the outstanding balance (i.e., the lender may not provide any additional loan money to the recipient).

The OMWBE is required to compile data on the businesses that have received loans under the program, and must notify the treasurer of any businesses that lose certification and provide an analysis of the failure. This is to be done in consultation with the treasurer and the Department of Community, Trade, and Economic Development (the department).

The department, in turn, is required to monitor the performance of loans made under the linked deposit program, and to develop indicators to measure job creation, job retention and access to capital.

The bill repeals the sunset provisions that would have terminated the program as of June 30, 2001.

Appropriation: *None.*

Fiscal Note: *Not Requested.*

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

