
**Financial Institutions &
Insurance Committee**

HB 2464

Brief Description: Extending the linked deposit program.

Sponsors: Representatives Veloria, Chase, Ogden, Kenney and McIntire; by request of State Treasurer.

Brief Summary of Bill

- Repeals the sunset provisions pertaining to the linked deposit program.

Hearing Date: 2/5/02

Staff: Thamas Osborn (786-7129).

Background:

The State 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 2 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 department).

The department is required to consult with the State Treasurer for the purpose of monitoring the performance of the program.

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

The statutes authorizing the Linked Deposit Program are subject to repeal as of June 30, 2003, pursuant to current sunset provisions.

Summary of Bill:

The bill repeals the sunset provisions that would have terminated the linked deposit program as of June 30, 2003.

Appropriation: None.

Fiscal Note: Not Requested.

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