

SENATE BILL REPORT

SB 5642

As Reported By Senate Committee On:
Labor, Commerce & Financial Institutions, February 26, 2001

Title: An act relating to the linked deposit program.

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

Sponsors: Senators Prentice, Kline, Franklin and Patterson; by request of Governor Locke.

Brief History:

Committee Activity: Labor, Commerce & Financial Institutions: 2/15/01, 2/26/01 [DP, DNP].

SENATE COMMITTEE ON LABOR, COMMERCE & FINANCIAL INSTITUTIONS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Gardner, Vice Chair; Fairley, Franklin, Patterson, Rasmussen, Regala and Winsley.

Minority Report: Do not pass.

Signed by Senators Benton, Deccio, Hochstatter and Honeyford.

Staff: David Cheal (786-7576)

Background: The linked deposit program was established in 1993 by the Legislature. Under that program the Treasurer deposits certain short term funds in public depositories on the condition that the public depository make qualifying loans under the program. "Qualifying loans" are those made to certified minority or women's businesses, for a period not to exceed 10 years, and at an interest rate at least two percentage points below the market rate that normally would be charged for a loan of that type. 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.

Participating lenders are not required to change their underwriting practices.

The 1993 authorizing legislation contained a sunset provision, effective June 30, 2001. The program was terminated by statute, effective June 30, 2000.

The Joint Legislative Audit and Review Committee conducted a review of the program which was completed in the summer of 1999. It recommended that measurements be established to allow measurement of performance in the areas of job creation and retention, and providing access to capital by minority or women's business enterprises.

Summary of Bill: Qualifying loans to any borrower are limited to \$1 million.

If a borrower loses its certification as a women or minority owned business, the Treasurer must notify the lender who must then reduce the loan by the outstanding balance of qualifying loans by the outstanding balance of the loan made to entity that has been decertified.

The Department of Community, Trade, and Economic Development, in consultation with the Treasurer and the Office of Minority and Women's Business Enterprise must monitor the performance of loans made, including indicators to measure job creation and retention, and providing access to capital to minority or women's businesses.

The termination and repeal statutes are repealed.

Appropriation: None.

Fiscal Note: Requested on February 14, 2001.

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

Testimony For: This program has proven itself as an efficient and effective method of helping new minority and women owned businesses get started with all-important access to capital. It has also been vital to small businesses seeking to expand. The new accountability and measurement requirements in this bill will assure the program continues to meet its policy goals.

Testimony Against: None.

Testified: PRO: Judith Olsen, Pacific Northwest Bell; Lea J. Armstrong, Armstrong Uniserve, Inc.; Earl W. Overstreet, II, General MicroSystems, Inc.; Andrea Blue, Governor Locke's Office; Irene Reyes, Excel Glens, Safety Supplies, Inc.; Sung Yang, Office of Trade and Economic Development; Denny Eliason, WA Bankers Assn.