

# HOUSE BILL REPORT

## ESSB 5167

---

**As Reported by House Committee On:**  
Innovation, Technology & Economic Development

**Title:** An act relating to the linked deposit program.

**Brief Description:** Addressing the linked deposit program.

**Sponsors:** Senate Committee on Financial Institutions, Economic Development & Trade (originally sponsored by Senators Hasegawa, Saldaña, Darneille, Frockt, Keiser, Nguyen and Mullet).

**Brief History:**

**Committee Activity:**

Innovation, Technology & Economic Development: 3/19/19, 3/27/19 [DP], 2/21/20, 2/25/20 [DP].

**Brief Summary of Engrossed Substitute Bill**

- Authorizes the Office of Minority and Women's Business Enterprises to adopt rules to prioritize loans under the Linked Deposit Program (Program) that create jobs in underserved communities with inadequate access to capital for applicants with no current loans from other small business lending agencies.
- Requires any line of credit issued under the Program with a zero balance for 12 or more months to be removed from the Program.

---

### HOUSE COMMITTEE ON INNOVATION, TECHNOLOGY & ECONOMIC DEVELOPMENT

**Majority Report:** Do pass. Signed by 7 members: Representatives Hudgins, Chair; Kloba, Vice Chair; Boehnke, Assistant Ranking Minority Member; Entenman, Slatter, Tarleton and Wylie.

**Minority Report:** Do not pass. Signed by 1 member: Representative Smith, Ranking Minority Member.

**Staff:** Kyle Raymond (786-7190).

---

*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Background:**

The Linked Deposit Program (Program) was created with the stated purpose of increasing access to business capital for the state's certified minority-owned, women-owned, and veteran-owned businesses. The Program allows certified businesses to obtain reduced interest rate loans from participating financial institutions. Qualifying veteran-owned businesses are certified by the Department of Veterans Affairs, and qualified minority-owned and women-owned businesses are certified by the Office of Minority and Women's Business Enterprises (OMWBE).

The Washington State Treasurer (Treasurer) is authorized to use short-term state treasury surplus funds for the Program. The Treasurer may use up to \$15 million per year of the total Program funds for reduced interest rate loans made to veteran-owned businesses, and the Treasurer may use up to \$175 million in funding for minority-owned and women-owned business loans. These funds are deposited in qualified financial institutions as certificates of deposit (CDs) on the condition the institution makes "qualifying loans" under the Program. The state forgoes up to 2 percent interest on the CDs and requires the financial institution to pass along the interest rate preference to qualified loan recipients.

Qualifying loans can include lines of credit, financing of accounts receivable, working capital, equipment purchases, real property acquisition, and other business-related financing. A qualifying loan cannot exceed \$1 million per business or have a repayment period greater than 10 years.

The OMWBE has the authority to adopt rules implementing the Program that:

- ensure first priority is given to businesses that have never received a loan under the Program;
- limit the total principal loan amount any one business or owner may receive over the business's or owner's lifetime;
- limit the total amount of any one loan under the Program; and
- ensure loans by community development financial institutions are made to qualified minority-owned and women-owned businesses.

The Department of Commerce (Department) provides technical assistance and loan packaging services to the OMWBE to obtain financing under the Program. The Department consults with the OMWBE to develop indicators that measure the Program's performance related to job creation, job retention, and access to capital for minority-owned and women-owned businesses.

---

**Summary of Bill:**

The Office of Minority and Women's Business Enterprises is authorized to adopt rules to prioritize loans under the Linked Deposit Program (Program) that create jobs in underserved communities with inadequate access to capital, for applicants that do not have current loans with other small business lending agencies.

A line of credit issued under the Program that has a zero balance for 12 months or more must be removed from the Program.

---

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) This is a great bill and should be passed out of committee. The bill does not create a fiscal impact.

(Opposed) None.

(Other) The proposed changes in the bill create a small increase in workload for the Office of Minority and Women's Business Enterprises (OMWBE), which is reflected in a recent fiscal note for the bill. Funding for the bill is not currently in the Governor's budget, but the OMWBE is otherwise supportive of this bill. The Linked Deposit Program (Program) is an integral part of the work of the OMWBE. The bill allows the OMWBE to structure the Program around creating jobs and economic opportunity for minority-owned and women-owned businesses, which will actively help distribute capital to the firms that need funds the most.

**Persons Testifying:** (In support) Senator Hasegawa, prime sponsor.

(Other) Joanna Eide, Office of Minority and Women's Business Enterprises.

**Persons Signed In To Testify But Not Testifying:** None.