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**SUBSTITUTE SENATE BILL 5167**

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**State of Washington**

**66th Legislature**

**2019 Regular Session**

**By** Senate Financial Institutions, Economic Development & Trade  
(originally sponsored by Senators Hasegawa, Saldaña, Darneille,  
Frocht, Keiser, Nguyen, and Mullet)

READ FIRST TIME 01/25/19.

1 AN ACT Relating to the linked deposit program; amending RCW  
2 43.86A.030 and 43.63A.690; reenacting and amending RCW 43.86A.060;  
3 adding a new section to chapter 39.19 RCW; and recodifying RCW  
4 43.63A.690.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 43.86A.030 and 2010 c 139 s 1 are each amended to  
7 read as follows:

8 (1)(a) The state treasurer shall make funds available for a time  
9 certificate of deposit investment program according to the following  
10 formula: The state treasurer shall apportion to all participating  
11 depositaries an amount equal to five percent of the three year  
12 average mean of general state revenues as certified in accordance  
13 with Article VIII, section 1(b) of the state Constitution, or fifty  
14 percent of the total surplus treasury investment availability,  
15 whichever is less. Within thirty days after certification, an amount  
16 equal to those funds determined to be available according to this  
17 formula for the time certificate of deposit investment program shall  
18 be available for deposit in qualified public depositaries. These  
19 funds shall be allocated among the participating depositaries on a  
20 basis to be determined by the state treasurer.

1 (b) The funds made available by the treasurer for a time  
2 certificate of deposit investment program under (a) of this  
3 subsection (1) may be provided from either treasury surplus funds or  
4 funds held pursuant to chapter 43.250 RCW.

5 (2) Of all state funds available under this section, the state  
6 treasurer may use up to one hundred seventy-five million dollars per  
7 year for the purposes of RCW 43.86A.060(2)(c) (i) and (iii) and up to  
8 (~~fifteen~~) twenty-five million dollars per year for the purposes of  
9 RCW 43.86A.060(2)(c) (ii). The amounts made available to these public  
10 depositaries shall be equal to the amounts of outstanding loans made  
11 under RCW 43.86A.060.

12 (3) The formula so devised shall be a matter of public record  
13 giving consideration to, but not limited to, deposits, assets, loans,  
14 capital structure, investments, or some combination of these factors.  
15 However, if in the judgment of the state treasurer the amount of  
16 allocation for certificates of deposit as determined by this section  
17 will impair the cash flow needs of the state treasury, the state  
18 treasurer may adjust the amount of the allocation accordingly.

19 **Sec. 2.** RCW 43.86A.060 and 2009 c 385 s 3 and 2009 c 384 s 1 are  
20 each reenacted and amended to read as follows:

21 (1) The state treasurer shall establish a linked deposit program  
22 for investment of deposits in qualified public depositaries. As a  
23 condition of participating in the program, qualified public  
24 depositaries must make qualifying loans as provided in this section.  
25 The state treasurer may purchase a certificate of deposit that is  
26 equal to the amount of the qualifying loan made by the qualified  
27 public depositary or may purchase a certificate of deposit that is  
28 equal to the aggregate amount of two or more qualifying loans made by  
29 one or more qualified public depositaries.

30 (2) Qualifying loans made under this section are those:

31 (a) Having terms that do not exceed ten years;

32 (b) Where an individual loan does not exceed one million dollars;

33 (c) (i) That are made to a minority or women's business enterprise  
34 that has received state certification under chapter 39.19 RCW;

35 (ii) That are made to a veteran-owned business that has received  
36 state certification under RCW 43.60A.190; or

37 (iii) That are made to a community development financial  
38 institution that is: (A) Certified by the United States department of

1 the treasury pursuant to 12 U.S.C. Sec. 4701 et seq.; and (B) using  
2 that loan to make qualifying loans under (c)(i) of this subsection;

3 (d) Where the interest rate on the loan to the minority or  
4 women's business enterprise or veteran-owned business does not exceed  
5 an interest rate that is two hundred basis points below the interest  
6 rate the qualified public depository would charge for a loan for a  
7 similar purpose and a similar term, except that, if the preference  
8 given by the state treasurer to the qualified public depository under  
9 subsection (3) of this section is less than two hundred basis points,  
10 the qualified public depository may reduce the preference given on  
11 the loan by an amount that corresponds to the reduction in preference  
12 below two hundred basis points given to the qualified public  
13 depository; and

14 (e) Where the points or fees charged at loan closing do not  
15 exceed one percent of the loan amount.

16 (3) In setting interest rates of time certificate of deposits,  
17 the state treasurer shall offer rates so that a two hundred basis  
18 point preference will be given to the qualified public depository,  
19 except that the treasurer may lower the amount of the preference to  
20 ensure that the effective interest rate on the deposit is not less  
21 than zero percent.

22 (4) Upon notification by the state treasurer that a minority or  
23 women's business enterprise is no longer certified under chapter  
24 39.19 RCW or that a veteran-owned business is no longer certified  
25 under RCW 43.60A.190, the qualified public depository shall reduce  
26 the amount of qualifying loans by the outstanding balance of the loan  
27 made under this section to the minority or women's business  
28 enterprise or the veteran-owned business, as applicable.

29 (5) A line of credit issued under the linked deposit program that  
30 has a zero balance for twelve or more months must be removed from the  
31 program.

32 (6) The office of minority and women's business enterprises has  
33 the authority to adopt rules to prioritize loans that:

34 (a) Ensure that when making a qualified loan under the linked  
35 deposit program, businesses that have never received a loan under the  
36 linked deposit program are given first priority;

37 (b) Limit the total principal loan amount that any one business  
38 receives in qualified loans under the linked deposit program over the  
39 lifetime of the businesses;

1 (c) Limit the total principal loan amount that an owner of one or  
2 more businesses receives in qualified loans under the linked deposit  
3 program during the owner's lifetime;

4 (d) Limit the total amount of any one qualified loan made under  
5 the linked deposit program; ~~((and))~~

6 (e) Ensure that loans made by community development financial  
7 institutions are qualifying loans under subsection (2)(c)(i) of this  
8 section; and

9 (f) Ensure that when making a qualified loan under the linked  
10 deposit program priority is given to loans that:

11 (i) Create jobs in underserved communities that have inadequate  
12 access to capital; and

13 (ii) Are for applicants that do not currently have loans with  
14 other small business lending agencies.

15 **Sec. 3.** RCW 43.63A.690 and 2005 c 302 s 6 are each amended to  
16 read as follows:

17 ~~((1) The department shall provide technical assistance and loan~~  
18 ~~packaging services that enable minority and women-owned business~~  
19 ~~enterprises to obtain financing under the linked deposit program~~  
20 ~~created under RCW 43.86A.060.~~

21 ~~(2) The department, in consultation with))~~ The office of minority  
22 and women's business enterprises((7)) shall develop indicators to  
23 measure the performance of the linked deposit program in the areas of  
24 job creation or retention and providing access to capital to minority  
25 or women's business enterprises.

26 NEW SECTION. **Sec. 4.** RCW 43.63A.690 is recodified as a section  
27 in chapter 39.19 RCW.

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