
Business & Financial Services Committee

HB 1415

Brief Description: Concerning the linked deposit program.

Sponsors: Representatives Kirby, Santos, Tarleton, Ryu, Van De Wege, S. Hunt, Kilduff, Ortiz-Self, McBride and Gregerson; by request of Office of Minority and Women's Business Enterprises.

Brief Summary of Bill

- Grants general rulemaking authority to the Office of Minority and Women's Business Enterprises in carrying out the purposes of the Linked Deposit Program.

Hearing Date: 2/3/15

Staff: David Rubenstein (786-7153).

Background:

Linked Deposit Program.

The stated purpose of the Linked Deposit Program (Program) is to increase access to business capital for the state's certified minority-owned and women-owned businesses. Under the Program, certified businesses can obtain reduced interest rate loans from participating financial institutions. The State Treasurer is authorized to use up to \$190 million of short-term state treasury surplus funds for the Program. These funds are deposited in public depositories as certificates of deposit (CDs) on the condition that the public depository make "qualifying loans" under the Program. The state forgoes up to 2 percent in interest on the CDs and passes along the savings to the public depository with the condition that the depository reduces the interest rate for the loan recipients. The State Treasurer must reduce the amount of the preference to ensure that the effective interest rate on the CD is not less than 2 percent. If the preference given to a qualified public depository is less than 200 basis points (or 2 percent), the qualified public depository may reduce the interest rate on the loans by an amount that corresponds to the reduction in the preference below 200 basis points. Qualifying loans are loans:

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- made to certain minority or women's business enterprises or veteran-owned businesses;
- for a period not to exceed 10 years;
- for up to a maximum amount of \$1 million for each individual loan;
- 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; and
- with points or origination fees limited to 1 percent of the loan principal.

Several agencies are involved in the Program. The State Treasurer is authorized to fund the Program. The Office of Minority and Women's Business Enterprises (OMWBE) certifies the eligibility of the minority or women's businesses, monitors the performance of loans, and compiles information on borrowers in the Program. The Department of Veterans Affairs certifies the eligibility of veteran-owned businesses. The Department of Commerce provides technical assistance, loan packaging services and, in consultation with the OMWBE, develops performance indicators for the Program.

Community Development Financial Institutions.

A Community Development Financial Institution (CDFI) is a specialized financial institution certified by the United States Department of the Treasury to provide loans for community development purposes. A CDFI works in economically distressed markets that are underserved by traditional financial institutions. A CDFI provides financial products such as mortgage financing for low-income homebuyers and not-for-profit developers; flexible underwriting and risk capital for community facilities; and technical assistance, commercial loans, and investments to small businesses in low-income areas. A CDFI might be a regulated institution such as a credit union or a non-regulated institution such as a venture capital fund.

Office of Minority and Women's Business Enterprises.

The OMWBE is a state agency whose stated intent is to mitigate discrimination in public works and increase participation of minority- and women-owned and controlled businesses in public contracts. The director of the OMWBE is appointed by the Governor, and the office is tasked with developing and implementing a comprehensive plan to accomplish the goal of increased participation by minority- and women-owned businesses.

In implementing its goals, the OMWBE certifies minority and women's business enterprises, monitors compliance with applicable provisions, makes rules, investigates complaints, and submits an annual report to the Governor and the Legislature. Among other duties, the OMWBE is required to cooperate with the Department of Commerce in compiling information on financial assistance to minority and women's business enterprises made through the Program and monitor the performance of the loans.

Additionally, the OMWBE has authority to adopt rules to:

- ensure that businesses that have never received a loan through the Program are given first priority;
- limit the total amount any given business or business owner can borrow;
- limit the total amount of any single qualified loan; and
- ensure that loans made to a CDFI are qualifying loans to certified minority- and women-owned business enterprises.

Summary of Bill:

The specific rulemaking authority for the OMWBE in the context of the Program is struck and replaced with general rulemaking authority to carry out the purposes of 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.