

SENATE BILL REPORT

SB 5587

As Reported by Senate Committee On:
Financial Institutions & Insurance, February 2, 2017

Title: An act relating to the linked deposit program.

Brief Description: Addressing the linked deposit program.

Sponsors: Senators Hasegawa, Chase, Hobbs, Mullet and Keiser.

Brief History:

Committee Activity: Financial Institutions & Insurance: 2/02/17, 2/02/17 [DP-WM].

Brief Summary of Bill

- Increases the overall Linked Deposit Program by \$20 million per year and adds prioritization criteria for awarding loans to qualified businesses.
- Dedicates an additional \$10 million per year for loans to veteran-owned businesses, and an additional \$10 million for loans to minority-owned and women-owned businesses.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Angel, Chair; Mullet, Ranking Minority Member; Hobbs and Kuderer.

Staff: Jeff Olsen (786-7428)

Background: The Linked Deposit Program (Program) was created to increase access to business capital for the state's certified minority-owned, women-owned and veteran-owned businesses. Under the Program, the State Treasurer may use up to \$190 million of the state's short-term surplus funds to allow certified businesses to obtain reduced interest rate loans from participating financial institutions. Up to \$15 million per year of the total program amount is provided for veteran-owned businesses, with the remaining \$175 million in funding allocated to minority-owned and women-owned and businesses. A qualifying loan is one to certified minority-owned, women-owned and veteran-owned businesses, and cannot exceed \$1 million per business or have a repayment period greater than ten years.

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.

The Office of Minority and Women's Business Enterprises (OMWBE) must adopt rules implementing the Program to:

- ensure businesses that have never received a loan under the Program are given first priority;
- limit the total principal loan amount that any one business or owner may receive over the business or owner's lifetime;
- limit the total amount of any one loan under the Program; and
- ensure that loans are made to qualifying businesses.

Summary of Bill: The cap on the Program is increased by \$20 million per year, authorizing the State Treasurer to use up to \$210 million for the Program. The amount allocated to veteran-owned businesses is increased by \$10 million, from \$15 million to \$25 million per year. The amount allocated to minority-owned and women-owned businesses is increased by \$10 million, from \$175 million to \$185 million per year.

A line of credit issued under the Program that has a zero balance for 12 or more months will be removed from the program. The OMWBE must prioritize loans that create jobs in underserved communities that have inadequate access to capital, and are targeted for applicants that do not currently have loans with other small business lending agencies.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: The Linked Deposit Program expands access to capital for minority-owned, women-owned, and veteran-owned small businesses. Certified businesses are eligible for loans at rates 2 percent less than market rate loans. The goal is to give OMWBE authority to award loans to businesses to ensure the loans are going into the community to create jobs. The veteran-owned business increase is needed because there is currently a waiting list to obtain a loan.

OTHER: There is currently a waiting list of veteran-owned businesses that are seeking loans under the Linked Deposit Program, and the estimated wait time is one year before additional funding through the repayment of loans would become available for those seeking loans. The additional funding for veteran-owned businesses would allow the waiting list to be processed.

Persons Testifying: PRO: Senator Bob Hasegawa, Prime Sponsor; Shawn Myers, Office of the State Treasurer; Kari Sample, Office of The State Treasurer.

OTHER: Heidi Audette, Washington State Department of Veterans Affairs.

Persons Signed In To Testify But Not Testifying: No one.