

# HOUSE BILL REPORT

## SSB 5167

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**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].

**Brief Summary of Substitute Bill**

- Increases the Linked Deposit Program's (Program) annual limit from \$15 million to \$25 million to provide reduced interest rate loans to veteran-owned businesses.
- Adds additional prioritization criteria that the Office of Minority and Women's Business Enterprises must use to award loans to qualified businesses.
- Requires any line of credit issued under the Program with a zero balance for 12 or more months to be removed from the Program.

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

**Majority Report:** Do pass. Signed by 9 members: Representatives Hudgins, Chair; Kloba, Vice Chair; Smith, Ranking Minority Member; Boehnke, Assistant Ranking Minority Member; Morris, Slatter, Tarleton, Van Werven and Wylie.

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

**Background:**

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*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 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 and women-owned businesses are certified by the Office of Minority and Women's Business Enterprises (OMWBE).

The State Treasurer is authorized to use short-term state treasury surplus funds for the Program. The State 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 must adopt rules implementing the Program that:

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

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

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### **Summary of Bill:**

The State Treasurer's limit to deposit funds in accordance with the Program for the purpose of making qualified loans to veteran-owned businesses is increased from \$15 million per year to \$25 million per year.

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

The OMWBE must adopt rules to prioritize loans that: (1) create jobs in underserved communities with inadequate access to capital; and (2) target applicants that do not have current loans with other small business lending agencies.

Commerce's requirement to provide technical assistance and loan packaging services to the OMWBE is removed. The OMWBE is directed to develop performance measurement indicators for the Program, and Commerce's requirement to develop performance indicators in consultation with the OMWBE is removed.

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**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) The Program is important for providing financing and capital for minority-owned, women-owned, and veteran-owned businesses in Washington. Currently, there is more demand for loans to veteran-owned businesses than monies available. There has been a waiting list for veteran-owned businesses to obtain reduced interest rate loans since 2016, and there are currently 77 loans in the Program and 11 veteran-owned businesses on the waitlist.

The number of minority-owned and women-owned businesses has dropped by over 50 percent since the passage of Initiative 200, so there is a need to rebuild and recapture capacity for these businesses. This bill allows the OMWBE to structure the Program around its original intent to create access to capital for minority-owned and women-owned businesses. The bill will allow the OMWBE to effectively prioritize loans and equitably distribute capital to firms that need the funds the most. The bill's requirement to develop indicators will help the OMBWE build upon its already successful model.

(Opposed) None.

**Persons Testifying:** Senator Hasegawa, prime sponsor; Catherine Mele-Hetter, Office of the State Treasurer; Lisa Van der Lugt, The Office of Minority and Women's Business Enterprises; Ted Wicorek, Veterans legislative coalition; and Heidi Audette, Washington Department of Veterans Affairs.

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