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SENATE BILL 5243

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State of Washington

56th Legislature

1999 Regular Session

By Senators Kline, Winsley, Franklin, Prentice, Brown and Costa

Read first time 01/18/1999. Referred to Committee on Commerce, Trade, Housing & Financial Institutions.

1 AN ACT Relating to the linked deposit program; amending RCW  
2 43.86A.030 and 43.86A.060; adding a new section to chapter 43.86A RCW;  
3 and repealing RCW 43.131.381 and 43.131.382.

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

5 **Sec. 1.** RCW 43.86A.030 and 1993 c 512 s 33 are each amended to  
6 read as follows:

7 (1) Funds held in public depositories not as demand deposits as  
8 provided in RCW 43.86A.020 and 43.86A.030, shall be available for a  
9 time certificate of deposit investment program according to the  
10 following formula: The state treasurer shall apportion to all  
11 participating depositories an amount equal to five percent of the three  
12 year 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, those funds  
16 determined to be available according to this formula for the time  
17 certificate of deposit investment program shall be deposited in  
18 qualified public depositories. These deposits shall be allocated among

1 the participating depositaries on a basis to be determined by the state  
2 treasurer.

3 (2) The state treasurer may use up to (~~fifty~~) seventy-five  
4 million dollars per year of all funds available under this section for  
5 the purposes of RCW 43.86A.060. The amounts made available to these  
6 public depositaries shall be equal to the amounts of outstanding loans  
7 made under RCW 43.86A.060.

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

15 **Sec. 2.** RCW 43.86A.060 and 1993 c 512 s 30 are each amended to  
16 read as follows:

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

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

27 (a) Are loans that have terms that do not exceed ten years;

28 (b) Are made to a minority or women's business enterprise that has  
29 received state certification under chapter 39.19 RCW;

30 (c) Are made to minority or women's business enterprises that are  
31 considered a small business (~~as defined in RCW 43.31.025~~). As used  
32 in this subsection "small business" means any business entity including  
33 a sole proprietorship, corporation, partnership, or other legal entity,  
34 that is owned and operated independently from all other businesses,  
35 that has the purpose of making a profit, and that has twenty-five or  
36 fewer employees;

37 (d) Are made where the interest rate on the loan to the minority or  
38 women's business enterprise does not exceed an interest rate that is

1 two hundred basis points below the interest rate the qualified public  
2 depository would charge for a loan for a similar purpose and a similar  
3 term; and

4 (e) Are made where the points or fees charged at loan closing do  
5 not exceed one percent of the loan amount.

6 (3) In setting interest rates of time certificate of deposits, the  
7 state treasurer shall offer rates so that a two hundred basis point  
8 preference will be given to the qualified public depository.

9 NEW SECTION. **Sec. 3.** A new section is added to chapter 43.86A RCW  
10 to read as follows:

11 (1) The state treasurer shall deposit seventy-five percent of the  
12 funds available for the linked deposit program in qualified public  
13 depositories at market interest rates. The qualified public depository  
14 shall remit two hundred basis points of interest on each deposit to  
15 entities that have (a) received or administered funding during the  
16 previous two years for business loans from one of the following federal  
17 sources: (i) Department of housing and urban development under 42  
18 U.S.C. Sec. 3535(d) and 5300-5320 et seq.; (ii) small business  
19 administration under 15 U.S.C. Sec. 633 et seq.; (iii) economic  
20 development administration under 42 U.S.C. Sec. 3243; (iv) department  
21 of agriculture under 7 U.S.C. Sec. 1932 and 1989; and (v) the treasury  
22 department through the community development financial institution fund  
23 under 12 U.S.C. Sec. 4701 et seq.; (b) been in continuous operation or  
24 administers a loan fund which has been in continuous operation for a  
25 minimum of three years; (c) losses averaging less than ten percent of  
26 outstanding loans for the previous three years; and (d) no more than  
27 fifty percent of operational funding from a single source. The public  
28 depository shall pay the remainder of the interest on each deposit to  
29 the state treasurer. As a condition of receiving the remittance of two  
30 hundred basis points of interest, the entity receiving the remittance  
31 must make qualifying loans as provided in this section.

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

33 (a) Have terms that do not exceed five years;

34 (b) Are made to business enterprises that are owned by persons  
35 qualified as low-income households under RCW 43.185A.010;

36 (c) Incur points or fees charged at loan closing that do not exceed  
37 two percent of the loan amount; and

1 (d) Are for a principal amount not exceeding one hundred fifty  
2 thousand dollars.

3 (3) In addition to making loans under subsection (2) of this  
4 section, the entity receiving the remittance may use the remittance for  
5 technical assistance.

6 (4) The remittance of two hundred basis points of interest on each  
7 deposit must be approved by the department of community, trade, and  
8 economic development as being made to qualifying entities eligible to  
9 participate in this program. The qualifying public depository  
10 providing the remittance has no obligation to the qualifying entity,  
11 legal or otherwise, other than providing the remittance.

12 (5) Participation of a qualified public depository in this program  
13 contributes toward meeting the credit needs of the communities it  
14 serves as set forth under chapter 30.60 RCW for state banks, chapter  
15 32.40 RCW for state savings banks, and the federal community  
16 reinvestment act of 1977 for federal savings banks, federal savings and  
17 loan associations, and national banks.

18 (6) In setting interest rates for funds deposited under this  
19 program, the state treasurer shall offer rates that are commensurate  
20 with other similar deposits made by the treasurer.

21 NEW SECTION. **Sec. 4.** The following acts or parts of acts are each  
22 repealed:

23 (1) RCW 43.131.381 and 1994 c 126 s 2 & 1993 c 512 s 35; and

24 (2) RCW 43.131.382 and 1994 c 126 s 3 & 1993 c 512 s 36.

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