

# HOUSE BILL REPORT

## ESHB 1872

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**As Passed House:**

February 12, 2004

**Title:** An act relating to linked deposit loans for assistive technology.

**Brief Description:** Providing for linked deposit loans for assistive technology.

**Sponsors:** By House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Blake, Veloria, Chase, Santos and Hatfield).

**Brief History:**

**Committee Activity:**

Financial Institutions & Insurance: 2/25/03, 2/28/03 [DPS];

Appropriations: 3/6/03, 3/8/03 [DPS(FII)].

**Floor Activity:**

Passed House: 3/14/03, 95-0.

**Floor Activity:**

Passed House: 2/12/04, 94-0.

**Brief Summary of Engrossed Substitute Bill**

- Creates the Disabilities Access Linked Deposit Lending Program in order to provide a source of low interest funding for assistive technology and access modifications for disabled adults and children.
- Authorizes the State Treasurer to deposit up to an additional \$2,500,000 in surplus funds with public depositories to fund the Disabilities Access Linked Deposit Lending Program.

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**HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE**

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Schual-Berke, Chair; Simpson, Vice Chair; Benson, Ranking Minority Member; Newhouse, Assistant Ranking Minority Member; Cairnes, Carrell, Cooper, Hatfield, Hunter and Roach.

**Staff:** Thamas Osborn (786-7129).

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**HOUSE COMMITTEE ON APPROPRIATIONS**

**Majority Report:** The substitute bill by Committee on Financial Institutions & Insurance be substituted therefor and the substitute bill do pass. Signed by 27 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Sehlin, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Alexander, Boldt, Buck, Clements, Cody, Conway, Cox, DeBolt, Dunshee, Grant, Hunter, Kagi, Kenney, Kessler, Linville, McDonald, McIntire, Miloscia, Pflug, Ruderman, Schual-Berke, Sump and Talcott.

**Staff:** Susan Howson (786-7142).

**Background:**

Surplus treasury funds. The State Treasurer (Treasurer) limits the amount of funds that must be kept in demand deposits to the amount necessary for current operating expenses and to efficiently manage the treasury. Surplus funds not in demand deposits generally are held in certificates of deposit.

Linked Deposit Program. The linked deposit program was established in 1993 by the Legislature using surplus funds not required to be in demand deposits. Under that program, the Treasurer deposits surplus state funds in public depositories as a certificate of deposit on the condition that the public depository make qualifying loans under the program. Current law defines "qualifying loans" as those that are made to certain minority or women's business enterprises for a period not to exceed 10 years and 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. Points or origination fees are limited to 1 percent of the loan principal. In turn, the bank or other public depository pays an interest rate on the certificate of deposit equal to 2 percent below the market rate for such certificates.

Recipients of loans under the linked deposit program must be certified as a minority or women's business enterprise by the Office of Minority and Women's Business Enterprises (OMWBE).

The Treasurer may use up to \$50 million per year of surplus funds for deposit in the Linked Deposit Program.

The statutes authorizing the Linked Deposit Program are subject to repeal as of June 30, 2008, pursuant to current sunset provisions.

Community Development Financial Institutions. A Community Development Financial Institution (CDFI) is a type of financial institution that is certified by the United States Treasury to provide loans for community development purposes. A CDFI differs from a typical bank insofar as it can make loans to people that banks often cannot serve and offers borrowers a high level of technical assistance as well.

### **Summary of Engrossed Substitute Bill:**

The Treasurer is required to establish a new linked deposit lending program in order to make low interest loans available for the purchase of "assistive technology" and "access modifications" for the benefit of individuals with physical, mental, or sensory disabilities. The program is to be administered by the Department of Community Trade and Economic Development.

"Assistive technology" is defined as any item, device, or related service that enables a disabled individual to improve his or her functional capabilities, independence, or quality of life.

"Access modifications" are defined as modifications to structures or buildings for the purpose of improving access and use by individuals with disabilities.

Under the linked deposit program, the Treasurer is authorized to deposit up to an additional \$2,500,000 per year in qualified public depositories which must then lend these funds to qualified CDFIs. The CDFIs, in turn, are required to use the loan proceeds to provide financing and related services for the purchase of assistive technology and access modifications. Loans made to CDFIs under the program must meet the following requirements:

1. loan terms cannot exceed 10 years;
2. the interest rate paid by the CDFIs must be at least 2 percentage points below the normal market rate; and
3. points or origination fees are limited to 1 percent of the loan principal.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** (Financial Institutions & Insurance) This bill is necessary in order to enable disabled persons to obtain access to the many types of assistive technology that are presently available. Many people cannot afford the assistive technology that they need and need financial help in order to obtain it. For low income persons the cost barriers can be insurmountable. Access to this technology can make a huge difference in the quality of a disabled person's life. Thirty other states have programs to assist the disabled in obtaining assistive technology. The Treasurer supports the bill and believes that it represents a good use of the state's surplus funds. The bill costs the state very little and simply enables disabled individuals to obtain low interest loans in order to purchase the assistive technology that they need.

**Testimony For:** (Appropriations) Assistive technology allows individuals with

disabilities to live independently and succeed at home, at work, and in the community. Loan funds will help low income individuals to fill in the financial gaps that may exist between the amount that they are able to afford and the actual cost of the assistive technology. While the fiscal impact of the bill is small, the return to the state is tremendous, both in terms of the services provided to individuals with disabilities and in our ability to leverage additional federal funds that are expected to become available in the summer of 2003.

**Testimony Against:** (Financial Institutions & Insurance) None.

**Testimony Against:** (Appropriations) None.

**Testified:** (Financial Institutions & Insurance) (In support) Representative Blake, prime sponsor; Frances Pennell, Washington Assistive Technology Foundation; Barton Potter, Office of the State Treasurer; and Toby Olson, Governor's Committee on Disabilities and Employment.

**Testified:** (Appropriations) Representative Blake, prime sponsor; and Francis Pennell, Washington Assistive Technology Foundation.