
Appropriations Committee

HB 2906

Brief Description: Increasing the funding for the linked deposit program for minority and women's business loans.

Sponsors: Representatives Pettigrew, Voloria, McDonald, Priest, Hudgins, Skinner, Darneille, Eickmeyer, Simpson, D., McCoy, Wallace, Kessler, Schual-Berke, Simpson, G., Upthegrove, Wood, Kenney, Morrell, Ormsby and Conway.

Brief Summary of Bill

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| <ul style="list-style-type: none">Increases the amount that may be deposited in the Linked Deposit Program from \$50 million per year to \$75 million per year. |
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Hearing Date: 2/3/04

Staff: Dave Johnson (786-7154).

Background:

Surplus treasury funds. The 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.

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

Summary of Bill:

The bill increases the amount the Treasurer may deposit in the Linked Deposit Program from \$50 million per year to \$75 million per year.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.