

SENATE BILL REPORT

SB 6168

As of January 18, 2006

Title: An act relating to business development companies and the participation of financial institutions and nondepository lenders in economic development within the state.

Brief Description: Regulating business development companies and the participation of financial institutions and nondepository lenders in economic development within the state.

Sponsors: Senators Fairley, Benton, Keiser, Benson, Prentice, Franklin, Brandland, Berkey, and Schmidt; by request of Department of Financial Institutions.

Brief History:

Committee Activity: Financial Institutions, Housing & Consumer Protection: 1/11/06, 1/17/06.[DPS].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & CONSUMER PROTECTION

Majority Report: That Substitute Senate Bill No. 6168 be substituted therefor, and the substitute bill do pass.

Signed by Senators Fairley, Chair; Berkey, Vice Chair; Benton, Ranking Minority Member; Benson, Brandland, Finkbeiner, Franklin, Keiser, Schmidt and Spanel.

Staff: Joanne Conrad (786-7472)

Background: Washington State has a little-used 1963 law creating "industrial development corporations," meant to enhance economic development. It is believed that creation of a modernized form of "business development company" would provide incentives for financial institutions, other lenders and investors to participate in small business development and job creation, benefitting the citizens of Washington.

Summary of Substitute Bill: "Business Development Corporations" (BDCs) are established in statute, to promote economic development in Washington State. Minimum requirements for incorporation are set forth, along with specific, expanded corporate powers, and corporate governance standards.

The Department of Financial Institutions (DFI) has broad regulatory oversight and rulemaking authority. DFI performs confidential examinations to ensure safety and soundness, and sets standards for capital, surplus, and investment caps.

Technical details regarding transparency and ratification of insider transactions, treatment of insolvency and liquidation, mergers, and conversion to limited liability corporations (LLCs) are set forth, in an effort to maintain regulatory parity with the treatment of state chartered commercial banks.

Substitute Bill Compared to Original Bill: Participation in BDCs by venture capitalists and other lenders is clarified.

Appropriation: None.

Fiscal Note: Requested on January 10, 2006.

Committee/Commission/Task Force Created: No.

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

Testimony For: Economic development in Washington State will be enhanced by eliminating obsolete laws, and modernizing the type of business vehicle that can do business development. Regulation will be reduced and streamlined. This bill would promote rural economic development.

Testimony Against: None.

Who Testified: PRO: Joe Vincent, Gen. Counsel, DFI; Denny Eliason, United Financial Lobby and WA Bankers Assn.

CON: No one.