

SENATE BILL REPORT

EHB 3360

As Reported By Senate Committee On:
Ways & Means, March 10, 2008

Title: An act relating to the time certificate of deposit investment program.

Brief Description: Increasing the availability of funds for the time certificate of deposit investment program.

Sponsors: Representatives Hasegawa and Santos.

Brief History: Passed House: 2/18/08, 94-1.

Committee Activity: Ways & Means: 3/3/08, 3/10/08 [DPA].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Zarelli, Ranking Minority Member; Hatfield, Hobbs, Keiser, Kohl-Welles, Parlette, Rasmussen, Regala, Roach, Rockefeller and Schoesler.

Staff: Steve Jones (786-7440)

Background: The linked deposit program was created in 1993 to increase access to business capital for the state's certified minority-owned and women-owned businesses. The linked deposit program links the deposit of state funds by the State Treasurer to loans made by banks to minority and women-owned businesses. The deposits of the state funds are made at below-market rates, the banks receiving the deposits then passing the savings on to the linked deposit borrowers in the form of an interest rate reduction.

The State Treasurer is authorized to use up to \$150 million of short-term state treasury surplus funds for the Program. These funds are deposited with public depositories as certificate of deposits (CD's) on the condition that the public depository make "qualifying loans" under the program. The state forgoes up to two percent in interest on the CD's and passes along the savings to the public depository with the condition that the depository reduces the interest rate for the loan recipients. The State Treasurer must reduce the amount of the preference to ensure that the effective interest rate on the certificate of deposit is not less than 2 percent. If the preference given to a qualified public depository is less than 200 basis points, the qualified public depository may reduce the interest rate on the loans by an amount that corresponds to the reduction in the preference below 200 basis points.

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.

Qualifying loans are loans made (1) to certain minority or women's business enterprises; (2) for a period not to exceed 10 years; (3) for up to a maximum amount of one million dollars for each individual loan; (4) at an interest rate that is at least two percentage points below the market rate that normally would be charged for a loan of that type; and (5) with points or origination fees that are limited to one percent of the loan principal.

To be eligible the applicant must be a minority and/or a woman, have at least 51 percent of ownership of the business, and control the business.

The Office of Minority and Women's Business Enterprises (OMWBE) certifies the eligibility of the businesses for the program, monitors the performance of loans, and compiles information on borrowers in the program. The Department of Community, Trade and Economic Development provides technical assistance, loan packaging services and, in consultation with the OMWBE, develops performance indicators for the program.

Summary of Bill (Recommended Amendments): The State Treasurer is authorized to use an additional \$25 million of short-term state treasury surplus funds for the existing linked deposit program for minority or women-owned businesses.

The State Treasurer is authorized to use an additional \$15 million of short-term state treasury surplus funds for a new linked deposit program for veteran-owned businesses. To participate in the linked deposit program, a veteran-owned business must be certified by the Department of Veterans Affairs that it meets three requirements: (1) the veteran owner has sufficient expertise in the business's field of operation; (2) the veteran-owned business is a for-profit organization performing a commercially useful function; and (3) the veteran-owned business satisfies the definition for a small business concern.

The \$50 million and \$25 million increases for minority or women-owned businesses and veteran-owned businesses, respectively, bring the total amount available for the linked deposit program to \$225 million.

The Department of Veterans Affairs is required to report to the Legislature by December 1, 2008, on the progress made in implementing the linked deposit program for veteran-owned businesses.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Amendments): The additional amount authorized for the minority and women-owned businesses is reduced from \$50 million to \$25 million. The amount authorized for veteran-owned businesses is reduced from \$25 million to \$15 million.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: None.

Persons Testifying: No one.