

**Chapter 43.86A RCW**  
**SURPLUS FUNDS—INVESTMENT PROGRAM**

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*Public funds, deposit and investment, public depositories: Chapter 39.58 RCW.*

**RCW 43.86A.010 Finding—Objectives.** The legislature finds that a procedure should be established for the management of short term treasury surplus funds by the state treasurer in order to insure a maximum return while they are on deposit in public depositories. The objectives of this procedure are to minimize noninterest earning demand deposits and provide fair compensation to financial institutions for services rendered to the state through the investment of state funds in time deposits. [1983 c 66 § 20; 1973 c 123 § 1.]

**Severability—1983 c 66:** See note following RCW 39.58.010.

**RCW 43.86A.020 Surplus funds held as demand deposits to be limited.** After March 19, 1973, the state treasurer shall limit surplus funds held as demand deposits to an amount necessary for current operating expenses including direct warrant redemption payments, investments and revenue collection. The state treasurer may hold such additional funds as demand deposits as he or she deems necessary to insure efficient treasury management. [2009 c 549 § 5164; 1973 c 123 § 2.]

**RCW 43.86A.030 Surplus funds investment program—Available funds—Allocation.** (1)(a) The state treasurer shall make funds available for a surplus funds investment program according to the following formula: The state treasurer shall apportion to all participating depositories an amount equal to five percent of the three year average mean of general state revenues as certified in accordance with Article VIII, section 1(b) of the state Constitution, or fifty percent of the total surplus treasury investment availability, whichever is less. Within thirty days after certification, an amount equal to those funds determined to be available according to this formula for the surplus funds investment program shall be available for deposit in qualified public depositories. These funds shall be allocated among the

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

(b) The funds made available by the treasurer for a surplus funds investment program under (a) of this subsection (1) may be provided from either treasury surplus funds or funds held pursuant to chapter 43.250 RCW.

(2) Of all state funds available under this section, the state treasurer may use up to one hundred seventy-five million dollars per year for the purposes of RCW 43.86A.060(2)(c) (i) and (iii) and up to fifteen million dollars per year for the purposes of RCW 43.86A.060(2)(c) (ii). The amounts made available to these public depositaries shall be equal to the amounts of outstanding loans made under RCW 43.86A.060.

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

(4) Deposits and interest accrued thereon made through the surplus funds investment program must be protected against loss pursuant to RCW 39.58.020. [2022 c 99 § 1; 2010 c 139 § 1; 2009 c 384 § 2; 2008 c 187 § 2; 2007 c 500 § 1; 2005 c 302 § 2; 1993 c 512 § 33; 1982 c 74 § 1; 1973 c 123 § 3.]

**Intent—2005 c 302:** "The legislature intends that funds provided under the linked deposit program shall be used to create jobs and economic opportunity as well as to remedy the problem of a lack of access to capital by minority and women's business enterprises." [2005 c 302 § 1.]

**RCW 43.86A.040 Other investment powers of state treasurer not limited.** Except as provided in RCW 43.86A.020 and 43.86A.030, nothing in this chapter shall be construed as a limitation upon the powers of the state treasurer to determine the amount of surplus treasury funds which may be invested. [2022 c 99 § 2; 1973 c 123 § 4.]

**RCW 43.86A.050 Implementation of chapter by state treasurer.** The state treasurer shall devise the necessary formulae and methodology to implement the provisions of this chapter. Periodically, but at least once every six months, the state treasurer shall review all rules and shall adopt, amend or repeal them as may be necessary. These rules and a list of surplus funds investment allocations shall be published in the treasurer's monthly financial report as required under the provisions of RCW 43.08.150. [2022 c 99 § 3; 1973 c 123 § 5.]

**RCW 43.86A.060 Linked deposit program—Eligible entities—Interest rates—Rule-making authority.** (1) The state treasurer shall establish a linked deposit program for investment of surplus treasury funds in qualified public depositaries. As a condition of

participating in the program, qualified public depositories must make qualifying loans as provided in this section. The state treasurer may purchase an investment instrument that is equal to the amount of the qualifying loan made by the qualified public depository or may purchase an investment instrument that is equal to the aggregate amount of two or more qualifying loans made by one or more qualified public depositories.

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

(a) Having terms that do not exceed ten years;

(b) Where an individual loan does not exceed one million dollars;

(c) (i) That are made to a minority or women's business enterprise that has received state certification under chapter 39.19 RCW;

(ii) That are made to a veteran-owned business that has received state certification under RCW 43.60A.190; or

(iii) That are made to a community development financial institution that is: (A) Certified by the United States department of the treasury pursuant to 12 U.S.C. Sec. 4701 et seq.; and (B) using that loan to make qualifying loans under (c) (i) of this subsection;

(d) Where the interest rate on the loan to the minority or women's business enterprise or veteran-owned business does not exceed an interest rate that is two hundred basis points below the interest rate the qualified public depository would charge for a loan for a similar purpose and a similar term, except that, if the preference given by the state treasurer to the qualified public depository under subsection (3) of this section is less than two hundred basis points, the qualified public depository may reduce the preference given on the loan by an amount that corresponds to the reduction in preference below two hundred basis points given to the qualified public depository; and

(e) Where the points or fees charged at loan closing do not exceed one percent of the loan amount.

(3) In setting interest rates of surplus funds invested for the linked deposit program, the state treasurer shall offer rates so that a two hundred basis point preference will be given to the qualified public depository, except that the treasurer may lower the amount of the preference to ensure that the effective interest rate on the deposit is not less than zero percent.

(4) Upon notification by the state treasurer that a minority or women's business enterprise is no longer certified under chapter 39.19 RCW or that a veteran-owned business is no longer certified under RCW 43.60A.190, the qualified public depository shall reduce the amount of qualifying loans by the outstanding balance of the loan made under this section to the minority or women's business enterprise or the veteran-owned business, as applicable.

(5) The office of minority and women's business enterprises has the authority to adopt rules to:

(a) Ensure that when making a qualified loan under the linked deposit program, businesses that have never received a loan under the linked deposit program are given first priority;

(b) Limit the total principal loan amount that any one business receives in qualified loans under the linked deposit program over the lifetime of the businesses;

(c) Limit the total principal loan amount that an owner of one or more businesses receives in qualified loans under the linked deposit program during the owner's lifetime;

(d) Limit the total amount of any one qualified loan made under the linked deposit program; and

(e) Ensure that loans made by community development financial institutions are qualifying loans under subsection (2)(c)(i) of this section. [2022 c 99 § 4. Prior: 2009 c 385 § 3; 2009 c 384 § 1; 2008 c 187 § 3; 2007 c 500 § 2; 2005 c 302 § 3; 2002 c 305 § 1; 1993 c 512 § 30.]

**Intent—2005 c 302:** See note following RCW 43.86A.030.

**Finding—Intent—1993 c 512:** "The legislature finds that minority and women's business enterprises have been historically excluded from access to capital in the marketplace. The lack of capital has been a major barrier to the development and expansion of business by various minority groups and women. There has been a significant amount of attention on the capital needs of minority and women's business enterprises. It is the intent of the legislature to remedy the problem of a lack of access to capital by minority and women's business enterprises, and other small businesses by authorizing the state treasurer to operate a program that links state deposits to business loans by financial institutions to minority and women's business enterprises." [1993 c 512 § 29.]

**RCW 43.86A.070 Linked deposit program—Liability.** The state and those acting as its agents are not liable in any manner for payment of the principal or interest on qualifying loans made under RCW 43.86A.060. Any delay in payments or defaults on the part of the borrower does not in any manner affect the deposit agreement between the qualified public depository and the state treasurer. [1993 c 512 § 34.]

**Finding—Intent—1993 c 512:** See note following RCW 43.86A.060.

**RCW 43.86A.080 Linked deposit program—Minority and women's business enterprises—Public depositories' participation.** Public depositories participating in the linked deposit program are encouraged to increase the funds available to certified minority and women's business enterprises by taking full advantage of the linked deposit program loans to qualify for the community reinvestment act community programs under federal law (12 U.S.C. Sec. 2901 et seq.). [2005 c 302 § 4.]

**Intent—2005 c 302:** See note following RCW 43.86A.030.