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SENATE BILL NO. 64—SELECT COMMITTEE ON  
ECONOMIC GROWTH AND EMPLOYMENT

(ON BEHALF OF THE STATE TREASURER)

PREFILED DECEMBER 15, 2010

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Referred to Select Committee on Economic  
Growth and Employment

**SUMMARY**—Establishes a program for the investment of state money in certificates of deposit at a reduced rate of interest to provide lending institutions with money for loans at a reduced rate of interest to certain eligible entities. (BDR 31-522)

**FISCAL NOTE:** Effect on Local Government: No.  
Effect on the State: Yes.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

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AN ACT relating to state obligations; establishing a program for the investment of state money in certificates of deposit at a reduced rate of interest to provide qualified lending institutions with money for loans at a reduced rate of interest to certain eligible entities; and providing other matters properly relating thereto.

**Legislative Counsel’s Digest:**

1 Existing law authorizes the State Treasurer to invest the money of this State in  
2 negotiable certificates of deposit issued by commercial banks, insured credit unions  
3 or savings and loan associations. (NRS 355.140) **Section 9** of this bill requires the  
4 State Treasurer to establish the Linked Deposit Program, whereby the State  
5 Treasurer may, in an aggregate amount not to exceed \$20,000,000, invest in  
6 certificates of deposit with commercial banks, insured credit unions or insured  
7 savings and loan associations at a reduced rate of interest on the condition that the  
8 lending institution link the value of each such certificate of deposit to a loan at a  
9 reduced rate of interest to certain small businesses, political subdivisions of this  
10 State and institutions of higher education in this State. **Section 9** also provides that  
11 the rate of interest paid to the State on the deposit is not to be more than 2  
12 percentage points below the market rate for such a deposit, and that the loan rate  
13 of interest is to be equal to the rate of interest paid to the State on the deposit.



14 **Section 9** further requires the lending institution to sign an agreement with the State  
15 Treasurer specifying the terms of such a deposit and its linked loan.

16 **Section 11** of this bill requires a lending institution that participates in the  
17 Linked Deposit Program to apply the institution's standard lending criteria to  
18 determine the creditworthiness of an eligible applicant seeking a loan. **Section 11**  
19 also limits such loans to an amount not to exceed \$500,000 and to a term of not  
20 more than 5 years. **Section 12** of this bill requires that, for loans made to certain  
21 eligible entities, a preference be given to certain in-state businesses that: (1) are  
22 owned by a member of a racial or ethnic minority, a woman or an honorably  
23 discharged veteran of the Armed Forces of the United States; or (2) engage in the  
24 production and sale of fuel or power derived from renewable energy sources.  
25 **Section 13** of this bill authorizes certain out-of-state businesses to apply for such a  
26 loan if they provide proof of their intent to open a facility or office in this State.  
27 **Sections 12 and 13** also limit the types of businesses that are eligible to participate  
28 in the Linked Deposit Program and require eligible businesses to use the proceeds  
29 from the loan for certain purposes. **Sections 14 and 15** of this bill authorize  
30 political subdivisions of this State and institutions of higher education in this State  
31 to obtain a loan under the Program and to use the proceeds for certain purposes.

32 **Section 17** of this bill prohibits the State Treasurer from making any new  
33 investments through the Linked Deposit Program after June 30, 2013.

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THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN  
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 **Section 1.** Chapter 355 of NRS is hereby amended by adding  
2 thereto the provisions set forth as sections 2 to 16, inclusive, of this  
3 act.

4 **Sec. 2.** *The Legislature hereby declares that the public policy*  
5 *of this State is to benefit the general welfare of the people of this*  
6 *State by improving the state economy through the encouragement*  
7 *of lending at reduced rates of interest to minority-owned and*  
8 *certain other small businesses, political subdivisions of this State*  
9 *and institutions of higher education in this State.*

10 **Sec. 3.** *As used in sections 2 to 16, inclusive, of this act,*  
11 *unless the context otherwise requires, the words and terms defined*  
12 *in sections 4 to 8, inclusive, of this act have the meanings ascribed*  
13 *to them in those sections.*

14 **Sec. 4.** *“Eligible entity” means:*

15 *1. A business that meets the requirements of section 12 or 13*  
16 *of this act;*

17 *2. A political subdivision of this State that meets the*  
18 *requirements of section 14 of this act; or*

19 *3. An institution of higher education in this State that meets*  
20 *the requirements of section 15 of this act.*

21 **Sec. 5.** *“Linked deposit” means a certificate of deposit issued*  
22 *pursuant to section 9 of this act to the State Treasurer by a*  
23 *qualified lending institution.*



1     **Sec. 6.** *“Linked Deposit Program” means the loan program*  
2 *established pursuant to section 9 of this act.*

3     **Sec. 7.** *“Loan package” or “linked deposit loan package”*  
4 *means the information submitted by a qualified lending institution*  
5 *to the State Treasurer pursuant to section 11 of this act.*

6     **Sec. 8.** *“Qualified lending institution” means a commercial*  
7 *bank, an insured savings and loan association or an insured credit*  
8 *union in this State that meets the eligibility requirements of*  
9 *section 10 of this act.*

10    **Sec. 9.** *1. The State Treasurer shall establish the Linked*  
11 *Deposit Program to increase the availability of loans at a reduced*  
12 *rate of interest to eligible entities.*

13    *2. The State Treasurer may invest in certificates of deposit at*  
14 *a reduced rate of interest with qualified lending institutions upon*  
15 *acceptance of a loan package. Each certificate of deposit issued*  
16 *pursuant to this section by a qualified lending institution to the*  
17 *State Treasurer must be linked to a loan at a reduced rate of*  
18 *interest made by the qualified lending institution to an eligible*  
19 *entity.*

20    *3. The total amount invested in linked deposits by the State*  
21 *Treasurer at any one time may not exceed, in the aggregate,*  
22 *\$20,000,000.*

23    *4. The State Treasurer may accept or reject a linked deposit*  
24 *loan package.*

25    *5. Upon acceptance of a linked deposit loan package:*

26    *(a) The State Treasurer may place a linked deposit with the*  
27 *lending institution at a rate of interest that is not more than 2*  
28 *percentage points below the market rate for such a deposit at that*  
29 *lending institution. The State Treasurer shall determine and*  
30 *calculate all linked deposit rates of interest.*

31    *(b) The qualified lending institution shall enter into a deposit*  
32 *agreement with the State Treasurer, which must include, without*  
33 *limitation, terms that specify:*

34        *(1) The rate of interest to be paid on the deposit;*

35        *(2) The rate of interest to be charged for the loan linked to*  
36 *the deposit;*

37        *(3) That the qualified lending institution shall:*

38            *(I) Loan an amount equal to the amount of the deposit*  
39 *placed by the State Treasurer pursuant to paragraph (a) to an*  
40 *eligible entity at a rate of interest that is reduced from the current*  
41 *market rate for such a loan in the same amount as the reduction*  
42 *in rate of interest received by the State Treasurer for the linked*  
43 *deposit;*



1           (II) Verify that the entity is eligible for such a loan  
2 pursuant to the applicable provisions of section 12, 13, 14 or 15 of  
3 this act;

4           (III) Collect and provide the State Treasurer with any  
5 information that is requested by the State Treasurer pertaining to  
6 the loan and the eligible entity; and

7           (IV) Immediately notify the State Treasurer if the  
8 eligible entity becomes ineligible for the Linked Deposit Program  
9 during the term of the loan;

10          (4) That the rate of interest to be paid on the deposit placed  
11 by the State Treasurer pursuant to paragraph (a) will revert to the  
12 current market rate at the time the eligible entity becomes  
13 ineligible for the Linked Deposit Program; and

14          (5) Any other requirements that are necessary to carry out  
15 the Linked Deposit Program.

16          6. The State Treasurer shall compile and maintain on the  
17 Internet website of the State Treasurer a list of eligible entities that  
18 have received loans pursuant to the Linked Deposit Program. The  
19 list must include, without limitation, for each eligible entity listed:

20           (a) The name of the eligible entity;

21           (b) The type of eligible entity;

22           (c) The location of the eligible entity;

23           (d) The amount and term of the loan; and

24           (e) The name and location of the qualified lending institution  
25 that made the loan.

26          **Sec. 10.** To qualify for participation in the Linked Deposit  
27 Program, a lending institution must:

28           1. Be a commercial bank organized under chapter 659 of  
29 NRS, an insured savings and loan association organized under  
30 chapter 673 of NRS or an insured credit union organized under  
31 chapter 678 of NRS;

32           2. Agree to advertise actively to and inform potentially  
33 eligible entities of the availability of loans at a reduced rate of  
34 interest through the Linked Deposit Program;

35           3. Make information about the Linked Deposit Program  
36 available to the public on the Internet website of the lending  
37 institution, if any; and

38           4. Apply for qualification to offer loans pursuant to the  
39 Linked Deposit Program on a form provided by the State  
40 Treasurer.

41          **Sec. 11.** 1. A qualified lending institution that desires to  
42 receive a linked deposit must accept and review applications for  
43 linked deposit loans from eligible entities on a form provided by  
44 the State Treasurer. The lending institution shall apply the  
45 standard lending criteria of the lending institution to determine



1 *the creditworthiness of each eligible entity, including, without*  
2 *limitation, the consideration of the following factors, if applicable:*

3 (a) *The character, reputation and credit history of the*  
4 *applicant;*

5 (b) *The experience and depth of management of the eligible*  
6 *entity;*

7 (c) *The financial strength of the eligible entity;*

8 (d) *The past earnings, projected cash flow and future prospects*  
9 *of the eligible entity;*

10 (e) *The ability of the eligible entity to repay the loan;*

11 (f) *Whether sufficient invested equity exists to operate the*  
12 *eligible entity on a sound financial basis; and*

13 (g) *Whether the eligible entity has potential for long-term*  
14 *financial stability.*

15 2. *A qualified lending institution must submit a loan package*  
16 *to the State Treasurer for each loan made pursuant to the Linked*  
17 *Deposit Program on a form provided by the State Treasurer. The*  
18 *loan package must include, without limitation, verification by the*  
19 *qualified lending institution that the eligible entity meets the*  
20 *requirements of this section and the applicable provisions of*  
21 *section 12, 13, 14 or 15 of this act, and that the use of the proceeds*  
22 *as specified in the loan meets the applicable requirements of*  
23 *section 12, 13, 14 or 15 of this act.*

24 3. *A loan made pursuant to the Linked Deposit Program must*  
25 *not:*

26 (a) *Exceed \$500,000; or*

27 (b) *Have a term of more than 5 years.*

28 **Sec. 12.** *Except as otherwise provided in section 13 of this*  
29 *act:*

30 1. *To be eligible for a loan pursuant to the Linked Deposit*  
31 *Program, a business must:*

32 (a) *Employ not more than 100 employees;*

33 (b) *Be headquartered in this State;*

34 (c) *Maintain offices or operating facilities in this State;*

35 (d) *Transact business in this State;*

36 (e) *Be organized for profit;*

37 (f) *Satisfy the standard lending criteria of the qualified lending*  
38 *institution;*

39 (g) *Submit verification of eligibility for a linked deposit loan to*  
40 *the qualified lending institution on a form provided by the State*  
41 *Treasurer; and*

42 (h) *Submit an application for a linked deposit loan to the*  
43 *qualified lending institution on a form provided by the qualified*  
44 *lending institution.*



1       2. *In determining which eligible business will receive a linked*  
2 *deposit loan, preference must be given, if the qualifications of the*  
3 *applicants are equal:*

4       (a) *First, to a business that is at least 51-percent owned by a*  
5 *resident of this State who is:*

6           (1) *A member of a racial or ethnic minority;*

7           (2) *A woman; or*

8           (3) *An honorably discharged veteran of the Armed Forces*  
9 *of the United States.*

10       (b) *Second, to a business engaged in the production and sale*  
11 *of fuel or power derived from renewable energy as defined by*  
12 *NRS 701.070.*

13       3. *An eligible business shall use the proceeds from a loan*  
14 *received pursuant to the Linked Deposit Program for:*

15       (a) *Working capital;*

16       (b) *Acquiring real property;*

17       (c) *Establishing a line of credit;*

18       (d) *Financing of accounts receivable;*

19       (e) *Purchasing equipment, other than equipment that would*  
20 *substantially replace the work function of employees and result in*  
21 *a reduction of the employee workforce; and*

22       (f) *Any other purpose authorized by the regulations adopted by*  
23 *the State Treasurer pursuant to section 16 of this act.*

24       4. *The following types of businesses are not eligible for a loan*  
25 *pursuant to the Linked Deposit Program:*

26       (a) *A nonprofit business;*

27       (b) *A financial business primarily engaged in the business of*  
28 *lending, including, without limitation, a bank, finance company or*  
29 *pawnbroker;*

30       (c) *A speculative real estate development company;*

31       (d) *A subsidiary of a business located in a foreign country;*

32       (e) *A business that previously has defaulted on a loan received*  
33 *pursuant to the Linked Deposit Program or federally assisted*  
34 *financing; and*

35       (f) *A business that engages in any illegal activity.*

36       **Sec. 13. 1.** *To be eligible for a loan pursuant to the Linked*  
37 *Deposit Program, an out-of-state business must:*

38       (a) *Employ not more than 100 employees;*

39       (b) *Be organized for profit;*

40       (c) *Satisfy the standard lending criteria of the qualified*  
41 *lending institution;*

42       (d) *Submit verification of eligibility for a linked deposit loan to*  
43 *the qualified lending institution on a form provided by the State*  
44 *Treasurer;*



1 (e) *Submit an application for a linked deposit loan to the*  
2 *qualified lending institution on a form provided by the qualified*  
3 *lending institution;*

4 (f) *Provide proof satisfactory to the State Treasurer that the*  
5 *business intends to open a facility or office in this State within 180*  
6 *days after receiving a linked deposit loan; and*

7 (g) *Provide proof satisfactory to the State Treasurer that the*  
8 *business intends to employ at the facility or office located in this*  
9 *State at least 10 full-time employees.*

10 2. *An eligible out-of-state business shall use the proceeds*  
11 *from a loan received pursuant to the Linked Deposit Program for:*

12 (a) *Working capital;*

13 (b) *Acquiring real property;*

14 (c) *Establishing a line of credit;*

15 (d) *Financing of accounts receivable;*

16 (e) *Opening a facility or office in this State;*

17 (f) *Purchasing equipment, other than equipment that would*  
18 *substantially replace the work function of employees and result in*  
19 *a reduction of the employee workforce; and*

20 (g) *Any other purpose authorized by the regulations adopted*  
21 *by the State Treasurer pursuant to section 16 of this act.*

22 3. *The following types of out-of-state businesses are not*  
23 *eligible for a loan pursuant to the Linked Deposit Program:*

24 (a) *A nonprofit business;*

25 (b) *A financial business primarily engaged in the business of*  
26 *lending, including, without limitation, a bank, finance company or*  
27 *pawnbroker;*

28 (c) *A speculative real estate development company;*

29 (d) *A subsidiary of a business located in a foreign country;*

30 (e) *A business that previously has defaulted on a loan received*  
31 *pursuant to the Linked Deposit Program or federally assisted*  
32 *financing; and*

33 (f) *A business that engages in any illegal activity.*

34 **Sec. 14.** 1. *To be eligible for a loan pursuant to the Linked*  
35 *Deposit Program, a political subdivision of this State must:*

36 (a) *Satisfy the standard lending criteria of the qualified*  
37 *lending institution;*

38 (b) *Submit verification of eligibility for a linked deposit loan to*  
39 *the qualified lending institution on a form provided by the State*  
40 *Treasurer; and*

41 (c) *Submit an application for a linked deposit loan to the*  
42 *qualified lending institution on a form provided by the qualified*  
43 *lending institution.*

44 2. *An eligible political subdivision of this State:*



1       (a) *Shall use the proceeds from a loan received pursuant to the*  
2 *Linked Deposit Program for:*

3           (1) *Financing capital improvements;*

4           (2) *Capital outlay; and*

5           (3) *Any other purpose authorized by the regulations*  
6 *adopted by the State Treasurer pursuant to section 16 of this act;*  
7 *and*

8       (b) *Shall not use the proceeds from a loan received pursuant to*  
9 *the Linked Deposit Program to meet operating expenses.*

10       **Sec. 15.** *1. To be eligible for a loan pursuant to the Linked*  
11 *Deposit Program, an institution of higher education, as defined by*  
12 *NRS 385.102, must:*

13           (a) *Satisfy the standard lending criteria of the qualified*  
14 *lending institution;*

15           (b) *Submit verification of eligibility for a linked deposit loan to*  
16 *the qualified lending institution on a form provided by the State*  
17 *Treasurer; and*

18           (c) *Submit an application for a linked deposit loan to the*  
19 *qualified lending institution on a form provided by the qualified*  
20 *lending institution.*

21       **2. An eligible institution of higher education:**

22           (a) *Shall use the proceeds from a loan received pursuant to the*  
23 *Linked Deposit Program for:*

24           (1) *Financing capital improvements; and*

25           (2) *Any other purpose authorized by the regulations*  
26 *adopted by the State Treasurer pursuant to section 16 of this act;*  
27 *and*

28       (b) *Shall not use the proceeds from a loan received pursuant to*  
29 *the Linked Deposit Program to meet operating expenses.*

30       **Sec. 16.** *The State Treasurer shall adopt regulations*  
31 *necessary to carry out the provisions of sections 2 to 16, inclusive,*  
32 *of this act.*

33       **Sec. 17.** *1. Notwithstanding the provisions of section 9 of*  
34 *this act, the State Treasurer shall not accept a linked deposit loan*  
35 *package or invest in a certificate of deposit at a reduced rate of*  
36 *interest after June 30, 2013.*

37       **2.** *As used in this section, "linked deposit loan package" has*  
38 *the meaning ascribed to it in section 7 of this act.*

39       **Sec. 18.** *This act becomes effective upon passage and approval*  
40 *for the purpose of adopting regulations and on October 1, 2011, for*  
41 *all other purposes.*

