

HOUSE BILL REPORT

HB 1799

As Reported By House Committee On:
Trade, Economic Development & Housing
Capital Budget

Title: An act relating to the economic development finance authority.

Brief Description: Clarifying the use of funds for economic development by the economic development finance authority.

Sponsors: Representatives Wineberry, Forner, Shin, Morris, Springer, Valle and Karahalios.

Brief History:

Reported by House Committee on:
Trade, Economic Development & Housing, March 1, 1993, DP;
Capital Budget, March 8, 1993, DPS.

HOUSE COMMITTEE ON TRADE, ECONOMIC DEVELOPMENT & HOUSING

Majority Report: Do pass. Signed by 12 members:
Representatives Wineberry, Chair; Shin, Vice Chair; Forner,
Ranking Minority Member; Chandler, Assistant Ranking
Minority Member; Campbell; Conway; Morris; Schoesler;
Sheldon; Springer; Valle; and Wood.

Staff: Charlie Gavigan (786-7340).

Background: The Washington Economic Development Finance Authority (WEDFA) was established in 1989 to help small and medium-sized businesses meet their capital needs. WEDFA is administered by an 18 member board. The Department of Trade and Economic Development (DTED) provides the staff for WEDFA, although the staff cannot issue nonrecourse bonds or make credit decisions.

WEDFA is specifically authorized to: (1) develop programs to fund export transactions for small businesses that cannot get commercial loans from private lenders at competitive rates and terms; (2) provide advance or up front financing for economic development to farmers based on their subsidy from the federal government for not growing crops; and (3) pool loans guaranteed by the federal government, such as those guaranteed by the Small Business Administration and the Farm Home Administration. WEDFA is also authorized to engage in a broad range of activities to assist businesses,

as long as the activity is within policy guidelines specified in statute; however, WEDFA likely can only issue bonds for the three programs specifically authorized in statute.

WEDFA may not lend state credit, issue bills of credit, take deposits, or finance housing, health care facilities, or educational facilities that are financed through other statutory commissions or authorities. WEDFA is authorized to issue nonrecourse bonds. These bonds are not obligations of the state.

In 1992, the state Supreme Court ruled that WEDFA can constitutionally issue taxable bonds for industrial development activity. The court also indirectly ruled that WEDFA, as a financial conduit similar to the Housing Finance Commission, does not violate the lending of credit prohibitions in the state constitution.

Summary of Bill: In addition to the three programs statutorily authorized, WEDFA can develop other programs to make loans or loan guarantees to businesses to improve economic development in Washington State. Non-recourse revenue bond proceeds can be used for WEDFA's three statutorily authorized programs and for loan and loan guarantee programs developed by the authority. A loan cannot exceed \$5 million per borrower or per project. Programs developed by WEDFA must emphasize assisting small businesses and women and minority-owned businesses. The authority must update its general plan and report to the Legislature annually rather than biennially.

Fiscal Note: Available.

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

Testimony For: WEDFA has not had an opportunity to prove itself because of legal questions. Those questions have recently been resolved by the Supreme Court. This bill will enable WEDFA to function, assisting small, women-owned, and minority-owned businesses.

Testimony Against: None.

Witnesses: Fred Romero, Department of Trade and Economic Development (pro).

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives Wang, Chair; Ogden, Vice Chair; Sehlin, Ranking Minority Member; Morton, Assistant Ranking Minority Member; Brough; Eide; R. Fisher; Jacobsen; Jones; Ludwig; Romero; and Thomas.

Minority Report: Do not pass. Signed by 2 members: Representatives Heavey; and Silver.

Staff: Kenny Pittman (786-7392).

Summary of Recommendation of Committee on Capital Budget Compared to Recommendation of Committee on Trade, Economic Development & Housing: The substitute bill limits the financing authority of WEDFA to the original three programs. WEDFA is terminated on June 30, 1995.

Fiscal Note: Available.

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

Testimony For: Small, women, and minority-owned businesses need a source of financial assistance. WEDFA can provide the needed capital. WEDFA's lack of past production was due to a constitutional issue. Now that the legal question has been addressed we should allow the program to operate.

Testimony Against: None.

Witnesses: Representative Wineberry, prime sponsor (Pro).