

HOUSE BILL REPORT

HB 2360

As Reported By House Committee On:

Financial Institutions & Insurance

Title: An act relating to financing contracts.

Brief Description: Authorizing financing contracts.

Sponsors: Representatives L. Thomas, Romero, Huff, Wolfe, Ogden, H. Sommers, D. Schmidt, Gardner and Anderson; by request of State Treasurer.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 1/21/98, 1/28/98 [DPS].

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives L. Thomas, Chairman; Zellinsky, Vice Chairman; Wolfe, Ranking Minority Member; Grant, Assistant Ranking Minority Member; Benson; Constantine; DeBolt; Keiser; Sullivan and Wensman.

Staff: Charlie Gavigan (786-7340).

Background: State agencies are authorized to enter into financing contracts for the acquisition of real and personal property where the contracts provide payments over a term of more than one year but less than 30 years. These financing contracts are exempted from the definition of debt in the computation of the statutory and constitutional debt limits. State agencies are authorized to issue certificates of participation or other types of financing structures subject to the approval of the State Finance Committee. The Legislature must approve all such contracts for the purchase of buildings and land. The finance committee may also consolidate existing and new financing contracts into a master contract and make rules for the issuance of financing contracts.

Typically, the State Treasurer issues tax-exempt certificates of participation to private investors and then uses the proceeds to purchase equipment or real estate for state agencies. The state agencies make lease payments from their operating budget to the State Treasurer to repay the investors. The state receives title to the property when the

contract payments are completed. The full faith and credit of the state does not stand behind these certificates of participation like it does for the issuance of bonds.

Summary of Substitute Bill: The authorization allowing the State Treasurer to administer a financing contract program for state agencies is expanded to include local governments. With the approval of the local governing body, the State Treasurer can lend money to the local government to purchase equipment or real estate. Like the state program, the State Treasurer raises the funds through issuing certificates of participation to private investors. The investors are repaid from lease payments made by the local government.

The State Treasurer is authorized to charge fees to state and local governments to cover actual administrative costs.

Substitute Bill Compared to Original Bill: Financing by local governments under this program must be included under the local debt limit; the original bill excluded this financing from the local debt limit. Clarifications are made to the authorization for the State Treasurer to recover administrative costs.

Appropriation: None.

Fiscal Note: Requested on January 20, 1998.

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

Testimony For: This will enable local governments to reduce interest rates they pay on the financing of equipment and real estate. Smaller local governments in particular will have access to better financing. This will save local taxpayers money. Local governments support the changes made by the substitute bill.

Testimony Against: None.

Testified: Mike Murphy, State Treasurer (supports); Jim Justin, Association of Washington Cities (supports); Bob Dantini, Washington State Association of County Treasurers (supports); and Dan Steele, Washington State School Directors' Association (supports).