

HOUSE BILL ANALYSIS

HB 2792

Title: An act relating to private financing for public works projects.

Prime Sponsor: Representatives Sherstad, Koster, Sterk, Sump, Thompson, Boldt, Backlund, Mielke, Dunn, Mulliken and D. Schmidt.

Background: Historically, a number of funding sources have been used for public works projects including:

- General obligation bonds issued by the State Treasurer;
- Trust revenues from the sale of timber and minerals off trust lands granted to the state by the federal government;
- Other funds such as federal grants and aid, dedicated tax and fee revenues, and higher education tuition revenue; and
- Alternate financing instruments such as Certificates of Participation (COPs) which are used primarily to facilitate lease-purchase contracts.

There have been suggestions of other financing methods used in private industry to raise capital that may be altered to finance public facilities. Examples of this include:

- The use of restricted stock as a funding alternative; and
- Partnership with other private capital venture industry.

Due to the complexity and legality of some of these financial structures, it has been recommended that the state conduct a thorough study to determine the appropriateness of a number of funding alternatives for use in government projects.

Summary: The Office of Financial Management (OFM), private financial industry, and the Office of the State Treasurer will study and recommend alternate forms of private financing for public works projects. The study will include, but not be limited to, financing techniques related to the use of restricted stock, the use of private financial institutions and other forms of financing available to state and local governments. OFM shall submit its recommendations to the appropriate committees of the legislature by January 1, 1999.

Fiscal Note: None.

Effective Date: Ninety days after adjournment of the legislative session in which the bill is enacted.

Agency Rule Making Impact: None.

Appropriation: \$50,000 from the General Fund to the Office of Financial Management for purpose of the study.