

SENATE BILL REPORT

SB 5387

As Reported By Senate Committee On:
Commerce, Trade, Housing & Financial Institutions, February 16, 1999

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

Brief Description: Expanding the definition of economic development activities.

Sponsors: Senators B. Sheldon, Roach, Kline, Bauer, Snyder and McAuliffe.

Brief History:

Committee Activity: Commerce, Trade, Housing & Financial Institutions: 2/11/99, 2/16/99 [DPS].

SENATE COMMITTEE ON COMMERCE, TRADE, HOUSING & FINANCIAL INSTITUTIONS

Majority Report: That Substitute Senate Bill No. 5387 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Shin, Vice Chair; Benton, Gardner, Hale, Rasmussen, T. Sheldon, West and Winsley.

Staff: Susan Jones (786-7784)

Background: In 1989, the Legislature created the Washington Economic Development Finance Authority (WEDFA) to help meet the capital needs of small and medium-sized businesses.

WEDFA may conduct programs to provide nonrecourse revenue bond financing for project costs for economic development activities. The bonds may be taxable or tax-exempt. These bonds are not the obligations of the state of Washington. Economic development activities means activities related to: manufacturing, processing, research, production, assembly, tooling, warehousing, pollution control, energy generating, conservation, transmission, and sports facilities and industrial parks. This definition does not include all activities which may be funded with tax exempt bonds under federal law.

Summary of Substitute Bill: In addition to the above-described activities, economic development activities include activities related to: airports, docks and wharves, mass commuting facilities, high-speed intercity rail facilities, solid waste disposal, federally qualified hazardous waste facilities and activities conducted within a federally designated enterprise or empowerment zone or geographic area of similar nature. Tax exempt status under federal law may be available for bonds issued for these additional activities.

Economic development activities also include activities related to public broadcasting. A bond issued for public broadcasting activities may be tax exempt under federal law if the bond qualifies as a nonprofit organization's bond.

WEDFA may not conduct programs to provide nonrecourse revenue bond financing for project costs for activities for public agencies or public/private partnerships.

Substitute Bill Compared to Original Bill: The substitute bill prevents WEDFA from conducting programs to provide nonrecourse revenue bond financing for project costs for activities for public agencies or public/private partnerships.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: The current definition does not match all the activities eligible for financing with federally tax exempt bonds. This is a clean up bill to include most of the activities eligible under the Internal Revenue Code. The bill also includes language to cover changes in federal terminology for designation of areas, such as empowerment zones.

Testimony Against: The wording of this bill is too broad. This statute and the changes undermine our private sector method of financing. Extending this advantage to private entities distorts the marketplace by allowing a project, which cannot be financed at the market interest rate, to be developed at a subsidized rate. Because these bonds are exempt from federal tax and Washington State citizens are federal taxpayers, they do pay for these subsidies.

Testified: PRO: Jonathan Hayes, Washington Economic Development Finance Authority;
CON: Bruce L. Nurse, Kemper Development Company.