

HOUSE BILL REPORT

SB 5425

As Reported by House Committee On:
Capital Budget

Title: An act relating to the total outstanding indebtedness of the higher education facilities authority.

Brief Description: Increasing the authorized total outstanding indebtedness of the higher education facilities authority.

Sponsors: Senators Winsley, Prentice, Benton, Kohl-Welles, Carlson, B. Sheldon, Brown, Schmidt, Rossi, West and Sheahan; by request of Lieutenant Governor.

Brief History:

Committee Activity:

Capital Budget: 3/20/03, 3/27/03 [DP].

Brief Summary of Bill

- The total allowable bonded indebtedness of the Washington Higher Education Facilities Authority is increased from \$500 million to \$1 billion.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass. Signed by 20 members: Representatives Dunshee, Chair; Hunt, Vice Chair; Alexander, Ranking Minority Member; Priest, Assistant Ranking Minority Member; Benson, Blake, Chase, Flannigan, Hankins, Hinkle, Kirby, Lantz, McIntire, Morrell, Newhouse, O'Brien, Orcutt, Simpson, Veloria and Woods.

Minority Report: Do not pass. Signed by 3 members: Representatives Armstrong, Bush and Schoesler.

Staff: Charlie Gavigan (786-7340).

Background:

In 1983 the Legislature authorized the Washington Higher Education Facilities Authority to issue tax-exempt bonds on behalf of private nonprofit colleges and universities to build, improve, and equip higher education facilities in a manner that minimizes capital

costs.

To be eligible, the institution must be accredited, certified by the IRS under Section 501 (C)(3), have its main campus permanently situated in the state, and be open to residents of the state.

Eligible projects include dormitories, dining halls, student unions, administration buildings, academic buildings, classrooms, athletic facilities, health care facilities, parking facilities, etc.

The total allowable bonded indebtedness of the authority may not exceed \$500 million.

The State Supreme Court held that this program does not violate state constitutional provisions prohibiting lending of the state's credit or supporting religious institutions.

Summary of Bill:

The total allowable bonded indebtedness of the Washington Higher Education Facilities Authority is increased from \$500 million to \$1 billion.

Appropriation: None.

Fiscal Note: Not Requested.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: This program enables private colleges and universities in Washington State to take advantage of a provision in federal tax law to reduce construction costs on their facilities. This state-created finance authority allows construction to be financed through tax-exempt bonds that are not state debt and do not lend the state's credit. The current program has been operating since 1983 with no problems or defaults and is now nearing its allowable indebtedness limit.

Testimony Against: None.

Testified: Senator Winsley, prime sponsor; Lieutenant Governor Brad Owen; Kim Horman, Washington Higher Education Facilities Authority; and Mary Sigmen, St. Martin's College.