

HOUSE BILL REPORT

HB 1428

As Reported by House Committee On:
Economic Development, Agriculture & Trade
Capital Budget

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

Brief Description: Authorizing the economic development finance authority to continue issuing bonds.

Sponsors: Representatives Condotta, Pettigrew, Dunn, Linville and Chase.

Brief History:

Committee Activity:

Economic Development, Agriculture & Trade: 2/2/05, 2/15/05 [DP];
Capital Budget: 2/28/05, 3/2/05 [DP].

Brief Summary of Bill

- Increases the outstanding debt limit of the Washington Economic Development Finance Authority (WEDFA) from \$750 million to \$1 billion.
- Authorizes the WEDFA to continue to issue bonds after June 30, 2006.

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT, AGRICULTURE & TRADE

Majority Report: Do pass. Signed by 23 members: Representatives Linville, Chair; Pettigrew, Vice Chair; Kristiansen, Ranking Minority Member; Skinner, Assistant Ranking Minority Member; Blake, Buri, Chase, Clibborn, Condotta, Dunn, Grant, Haler, Holmquist, Kenney, Kilmer, Kretz, McCoy, Morrell, Newhouse, Quall, Strow, P. Sullivan and Wallace.

Staff: Tracey Taylor (786-7196).

Background:

The WEDFA is an independent agency within the executive branch of state government. The Legislature created the WEDFA to act as a "financial conduit that, without using state funds or lending the credit of the state or local governments," and participates in federal, state, and local economic development programs. The WEDFA is directed to develop innovative approaches to the problem of unmet capital needs for small and medium-sized businesses in Washington. The WEDFA can issue nonrecourse economic development bonds on both a taxable and tax-exempt basis to support qualifying projects. Qualifying projects may include

advance financing to eligible farmers, manufacturing facilities, and processing facilities. The WEDFA cannot assist commercial or retail projects.

The WEDFA does not receive any governmental financial support, either directly or indirectly for its bonds, nor does it receive any appropriation of state funds for its administration. Prohibited by statute from receiving any appropriation, the WEDFA depends on fee income derived from its bond issuance program to pay all its staffing and operational expenses.

Summary of Bill:

The WEDFA's outstanding debt limit is increased from \$750 million to \$1 billion. In addition, the restriction on issuing bonds after June 30, 2006, is removed.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: For over eight and one-half years, the WEDFA has provided responsive and responsible financing for 57 projects and \$431.4 million in capital investment. As the result of the WEDFA financed projects, 3,865 Washington jobs have either been created or retained with no cost to the taxpayers. With a solid and tested risk management program and strong underwriting standards, the WEDFA is an experienced and service-oriented issuer. The average project pipeline is about seven months which makes it important to take action on this bill during this session. However, just because the average project takes about seven months to finance does not mean there have not been those important projects done in less time. With continuing legislative oversight and buy-in at the local jurisdictional level, it is important to keep this self-financing economic development tool.

Testimony Against: None.

Persons Testifying: Jonathan Hayes, Washington Economic Development Finance Authority.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass. Signed by 27 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Jarrett, Ranking Minority Member; Hankins, Assistant Ranking Minority Member; Blake, Chase, Cox, Eickmeyer, Ericks, Ericksen, Green, Hasegawa, Holmquist,

Kretz, Kristiansen, Lantz, McCune, Moeller, Morrell, Newhouse, O'Brien, Roach, Schual-Berke, Serben, Springer, Strow and Upthegrove.

Staff: Susan Howson (786-7142).

Summary of Recommendation of Committee On Capital Budget Compared to Recommendation of Committee On Economic Development, Agriculture & Trade:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: The WEDFA has done a great job providing financing for a number of companies in the state. There are four legislative members on the WEDFA board that provide strong, on-going legislative oversight. The WEDFA is the only issuing authority in the state with a sunset date.

(In support with concerns) Sunset dates serve as a valuable tool. The Treasurers Office would like to see the sunset remain in statute for the WEDFA.

Persons Testifying: (In support) Representative Condotta, prime sponsor; Jonathan Hayes, Washington Economic Development Finance Authority.

(In support with concerns) Barton Potter, Office of the State Treasurer.

Persons Signed In To Testify But Not Testifying: None.