

HOUSE BILL REPORT

SB 5180

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

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

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

Sponsors: Senators Kastama, Roach, Sheldon and Shin.

Brief History:

Committee Activity:

Economic Development, Agriculture & Trade: 3/18/05, 3/25/05 [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 22 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, Kretz, McCoy, Morrell, Newhouse, Quall, Strow, P. Sullivan and Wallace.

Staff: Tracey Taylor (786-7196).

Background:

The Washington Economic Development Finance Authority (WEDFA) is an independent agency within the executive branch of state government. The Legislature created WEDFA to act as a "financial conduit that, without using state funds or lending the credit of the state or local governments," issues nonrecourse revenue bonds, 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 direct or indirect 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: Not requested.

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

Testimony For: This is a companion to HB 1428. Of the four state bonding entities in Washington, the WEDFA is the only one that sunsets. As a conduit issuing authority, the WEDFA makes the interest on the bonds exempt from federal taxes thereby reducing the cost of a project or financing. The bonds are not state-backed bonds, therefore not counted towards the state statutory or constitutional debt limit. The WEDFA has provided financing for 58 projects, creating or retaining 3,937 jobs, and generating \$439.4 million in capital investment. There is legislative oversight by the appointment of members from each caucus in the House of Representatives and the Senate.

Testimony Against: None.

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

Persons Signed In To Testify But Not Testifying: None.