

# HOUSE BILL REPORT

## SB 5384

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### As Reported by House Committee On: Capital Budget

**Title:** An act relating to the University of Washington's and Washington State University's local borrowing authority.

**Brief Description:** Expanding the University of Washington's and Washington State University's local borrowing authority.

**Sponsors:** Senators Fraser, Shin, Brandland, Delvin, Murray, Tom and Kohl-Welles; by request of University of Washington.

#### **Brief History:**

##### **Committee Activity:**

Capital Budget: 3/23/07, 3/30/07 [DPA].

#### **Brief Summary of Bill** (As Amended by House Committee)

- Expands the University of Washington's and Washington State University's local borrowing authority by allowing the universities to bond against all nonappropriated funds.

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### HOUSE COMMITTEE ON CAPITAL BUDGET

**Majority Report:** Do pass as amended. Signed by 18 members: Representatives Fromhold, Chair; Ormsby, Vice Chair; Schual-Berke, Vice Chair; McDonald, Ranking Minority Member; Newhouse, Assistant Ranking Minority Member; Blake, Dunshee, Flannigan, Goodman, Hankins, Kelley, McCune, Orcutt, Pearson, Pedersen, Sells, Skinner and Upthegrove.

**Minority Report:** Do not pass. Signed by 1 member: Representative Hasegawa.

**Staff:** Susan Howson (786-7142).

#### **Background:**

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

The Board of Regents at the state research universities are authorized to issue bonds and other debt for research and enterprise facilities. Research facilities are largely supported by federal grants and contracts, as well as other non-state sources. Enterprise facilities generate revenue from their operations, and these facilities are not subject to legislative appropriation. Such facilities include student housing and dining halls, parking structures, intercollegiate athletics, hospitals, and other student services.

The research universities are not authorized to issue bonds for academic and administrative facilities, but may execute other long-term financial commitments for such facilities. These other long-term financial commitments include long-term leases and lease-to-own contracts that take advantage of tax-exempt financing under the federal tax code (commonly referred to as 63-20 projects). These allowable long-term financial commitments are typically more costly than bond financing.

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**Summary of Amended Bill:**

The authority of the University of Washington and Washington State University to issue bonds is expanded to any university purpose. Any nonappropriated funds may be obligated for the repayment of such bonds. This debt will not count against the state's constitutional debt limit and will not be backed by the full faith and credit of the state. The universities must report annually to the appropriate committees of the Legislature and the State Treasurer on the use of this bonding authority.

**Amended Bill Compared to Original Bill:**

Language was removed that requires bonds to be rated no lower than the lowest subcategory of the single "A" rating category by at least one nationally recognized credit rating agency. The scope of the annual reporting requirement was expanded to include additional summary level information.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Amended Bill:** The bill takes effect 90 days after adjournment of session in which bill is passed, except for section 4, relating to the refinancing of real and personal property acquired by the University of Washington between August and October 2006, which contains an emergency clause and takes effect May 1, 2007.

**Staff Summary of Public Testimony:**

(In support) This bill will allow the University of Washington to manage debt in a most cost effective way. The benefit of doing this is cost savings and cost management. With the ability to offer bondholders the total of the university's nonappropriated funds, the university can get a higher bond rating and lower interest costs.

(Opposed) None.

**Persons Testifying:** Randy Hodgins, University of Washington.

**Persons Signed In To Testify But Not Testifying:** None.