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**Capital Budget Committee**

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**HB 1398**

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

**Sponsors:** Representatives Fromhold, Wallace, Anderson, McDonald, Pedersen and Chase; by request of University of Washington.

**Brief Summary of Bill**

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

**Hearing Date:** 1/30/07

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

**Background:**

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 nonstate 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.

**Summary of Bill:**

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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 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. Such bonds may not be issued if rated below the single "A" rating by at least one nationally recognized credit rating agency. The universities must report annually to the appropriate committees of the Legislature on the use of this bonding authority. This reporting requirement may be satisfied by sending a copy of the annual bondholder report filed by the universities in accordance with Security and Exchange Commission requirements.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed, except for section 5, relating to the refinancing of real and personal property acquired by the University of Washington between August and October 2006, which takes effect May 1, 2007.