

SENATE BILL REPORT

SB 5384

As Passed Senate, March 7, 2007

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: Ways & Means: 1/31/07, 2/07/07 [DP].

Passed Senate: 3/07/07, 46-0.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Fairley, Hatfield, Hewitt, Hobbs, Honeyford, Keiser, Kohl-Welles, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

Staff: Brian Sims (786-7431)

Background: The boards of regents at the state research universities are currently authorized to issue bonds and other debt for research and enterprise facilities. Research facilities are largely supported by federal and other non-state grants. Enterprise facilities include facilities that generate revenues from their operations and are not subject to appropriations. Such facilities include student housing and dining halls, parking facilities, intercollegiate athletics, and other student services.

The research universities are currently 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 6320 projects). These allowable long-term financial commitments typically are more costly than bond financing.

Summary of Bill: The bill authorizes the University of Washington and Washington State University to issue bonds for any university purpose, and to obligate any non-appropriated

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funds for the payment 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.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Section 5, relating to the refinancing of real and personal property acquired by the University of Washington between August and October 2006, takes effect May 1, 2007.

Staff Summary of Public Testimony: PRO: The increased bonding authority would allow for the lowest cost financing for university facilities. The two research universities have excellent credit and currently have authority to finance the same facilities with higher cost debt. Section 3 includes an unnecessary restriction on issuing debt.

Persons Testifying: PRO: Mike Murphy, State Treasurer; Harlan Patterson, University of Washington; Larry Ganders, Washington State University.