

# FINAL BILL REPORT

## ESB 5385

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Synopsis as Enacted

**Brief Description:** Providing the Washington higher education facilities authority the ability to originate and purchase educational loans and to issue student loan revenue bonds.

**Sponsors:** Senators Shin, Jacobsen, Schoesler, Rockefeller, Delvin, Tom and Kohl-Welles; by request of Washington State Higher Education Facilities Authority.

**Senate Committee on Higher Education**

**House Committee on Higher Education**

**Background:** The Washington Higher Education Facilities Authority (Authority) was created in 1983. The statutory purpose of the Authority is to "enable the building, providing, and utilization of modern, well-equipped, efficient, and reasonably priced higher educational facilities, as well as the improvement, expansion, and modernization of such facilities." The Authority accomplishes this by the issuance of tax-exempt, nonrecourse revenue bonds for the independent qualified institutions of higher education in Washington State.

In late 2005, the non-profit Student Loan Finance Association (SLFA) was sold to Sallie Mae (a for-profit corporation). Based on the terms of the sale, SLFA was prohibited from issuing tax exempt bonds under the Federal Revenue Code (SS 150(d)) and Washington law. The state Department of Community, Trade and Economic Development (CTED) assessed the options for replacing SLFA. CTED found that 23 states have federal student loan backed bond programs administered by state agencies or authorities. The Authority was identified as a state authority with experience in bond financing.

**Summary:** The Authority is authorized to originate and purchase educational loans and to issue student loan revenue bonds. The Authority has the power to form non-profit special purpose corporations or may contract with non-profit corporations to accomplish these purposes. State educational loans are not guaranteed by the state and the proceeds from loan repayment may be used to make required payments to bondholders.

It still takes four of the seven members to constitute a quorum at meetings of the Authority. However, members who participate by a means of communication that allows all members to hear each other during a meeting are deemed to be present in person at the meeting for all purposes.

**Votes on Final Passage:**

Senate	49	0
House	97	0

**Effective:** July 22, 2007