

SENATE BILL REPORT

SB 5745

As of February 21, 2011

Title: An act relating to state assistance for financing local government infrastructure.

Brief Description: Concerning state assistance for financing local government infrastructure.

Sponsors: Senators Kilmer, Parlette, Conway, Hobbs and Keiser; by request of State Treasurer.

Brief History:

Committee Activity: Ways & Means: 2/21/11.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Brian Sims (786-7431)

Background: The Public Works Board and the Public Works Assistance Account were created in 1985 to help local government build, repair, and improve local infrastructure. Since its inception the program has provided over \$2.2 billion in low interest construction loans to local governments. Seventy-eight percent of these loans have supported sewer and drinking water systems. Seventeen percent has been used for roads and bridges, 3 percent for stormwater, and 1 percent for solid waste and recycling. Local governments owe about \$900 million in outstanding principal for loans already used. About \$100 million in previously authorized loans are expected to be used over the next several years as construction projects get underway. The account receives repayments from prior loan, and a portion of the real estate excise tax and public utility tax, and the solid waste tax.

The financial value of a low interest loan through the public works assistance account is the difference in debt service costs of the low interest loan compared to the debt service costs of financing through the private bond market. There are several factors that influence the private market costs, including the credit worthiness of the jurisdiction, the existence and reliability of credit enhancements, and the size of issuance.

Since 2005 three major studies of programs providing state assistance for local infrastructure have been completed. The studies have recommended clearer policy directions to prioritize resources and reduce fragmentation and duplication to improve transparency and accountability.

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.

Summary of Bill: A credit enhancement program for local infrastructure in the form of contingent loan agreements is created. The Office of the State Treasurer is allowed to (1) enter into contingent loan agreements to provide local governments with loans for debt service payments if they cannot make the payment, and (2) underwrite contingent loan agreements for local governments with which limited tax general obligations or senior revenue obligations, as applicable to the obligations concerned, are rated not higher than A1 or A+ by at least one of the nationally recognized rating agencies. An appropriation is required to provide local government credit support in the form of contingent loan agreements, which does not affect the state's debt limit.

The solid waste tax and the portion of the public utility tax deposited into the public works assistance account is redirected to local county infrastructure accounts based on county population. Counties are allowed to establish local infrastructure boards to distribute the funds in the local infrastructure accounts.

The name of the Public Works Board is changed to the Infrastructure Financing Board, and membership of that board is modified. The Board is authorized to provide grants as well as loans, and the construction loan list is no longer subject to legislative approval.

Appropriation: None.

Fiscal Note: Requested on February 19, 2011.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains several effective dates. Please refer to the bill.