

# SENATE BILL REPORT

## SB 5088

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As of February 14, 2017

**Title:** An act relating to financing local infrastructure.

**Brief Description:** Concerning the financing of local infrastructure.

**Sponsors:** Senators Honeyford and Frockt; by request of Office of Financial Management.

**Brief History:**

**Committee Activity:** Ways & Means: 2/09/17.

**Brief Summary of Bill**

- Creates a new program within the Housing Finance Commission to provide financing for local infrastructure projects through the issuance of bonds or loans.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Richard Ramsey (786-7412)

**Background:** Housing Finance Commission. The Housing Finance Commission (Commission) is a finance authority established to act as a financial conduit to make additional funds available at affordable rates to help provide housing throughout the state. The Commission is financially self-supported and does not receive funding from the state.

To provide financing, the Commission may:

- issue bonds;
- make loans to or deposits with mortgage lenders for the purpose of making mortgage loans;
- make loans for down payment assistance to home buyers; and
- participate in federal and other government programs to carry out its purpose.

The Commission can also issue nonrecourse bonds for capital projects, which are bonds that are not obligations of the state. Repayment of these bonds is payable solely from the funds received as repayment of loans for which the bonds were issued.

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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 Commission, in cooperation with the Department of Commerce, developed and implemented a housing finance program, limited to qualified first-time home buyers with priority given to low-income households. The housing finance program provides subsidized and unsubsidized mortgage financing for single-family home ownership, and when possible, provides down payment or closing costs assistance to eligible households. The Commission was authorized and developed additional financing programs such as the veteran homeownership down payment assistance program, sustainable energy trust program, aviation biofuel facilities and production bond program, and beginning farmer financing program.

**Summary of Bill:** Housing Finance Commission – Local Infrastructure Financing Program.

The Commission is authorized to develop and implement a new program to provide financing to local governments for infrastructure projects. Infrastructure projects may include the planning, acquisition, construction, repair, reconstruction, replacement, rehabilitation, or improvement of streets, roads, bridges, water systems, storm and sanitary systems, solid waste and recycling facilities, and other municipal projects, facilities, and utilities. Local governments include cities, towns, counties, special purpose districts, port districts, school districts, and any other municipal corporation or quasi-municipal corporation.

In establishing this program, the Commission must develop eligibility criteria that will enable the Commission to choose applicants who are likely to repay the loans.

Under this program, the Commission has the authority to:

- issue revenue bonds;
- make or purchase loans to local governments for financing all, or part, of the costs of infrastructure projects;
- enter into financing agreements regarding the repayment of the loans;
- exempt interest on its bonds from federal income tax on bonds that are tax-exempt; and
- participate in government programs for the purpose of securing financing for infrastructure projects.

Proceeds and Revenues from Bonds. The proceeds from the sale of bonds by the Commission must be deposited in a segregated special fund established for the purpose the bond was issued. Any revenues that the Commission receives, including contributions, grants, or payment on the principal or interest on bonds, must be deposited in a segregated special trust fund. Bond proceeds and revenues from bonds are not considered state funds.

Financing Agreements. Any local government may enter into a financing agreement with the Commission setting out the terms and conditions of a loan from the Commission. The agreement may state that the local government will repay the loan solely from revenues set aside into a special fund for repayment. In addition, for local governments authorized to levy taxes and borrow money payable from taxes, the agreement may state that repayment of the loan is a general obligation of the local government, or both a general obligation and an obligation payable from revenues set aside into a special fund.

The Commission has rights of recovery for any breach of the agreement or default in payment.

Indebtedness Limit. Bonds issued by the Commission under this program are excluded from the Commission's statutory indebtedness limit of \$6 billion.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: We have been lukewarm in the past but recognize this is part of the solution. It makes a lot of sense to move a portion of the state's commitment to financing local government infrastructure. There is risk that the Constitutional Amendment will not pass and we are okay with the WA State Housing Finance Corporation (WSHFC) program. We support both approaches—WA State Treasurer and the WSHFC—to pooled bonding authority. We recognize the Treasurer may offer a better interest rate.

**Persons Testifying:** PRO: Carl Schroeder, Association of Washington Cities; Axel Swanson, Washington State Association of Counties; Charlie Brown, Cascade Natural Gas; Bill Clarke, WA PUD Assn.

**Persons Signed In To Testify But Not Testifying:** No one.