

SENATE BILL REPORT

SSB 6175

As Passed Senate, February 11, 1998

Title: An act relating to financing contracts.

Brief Description: Authorizing financing contracts.

Sponsors: Senate Committee on Government Operations (originally sponsored by Senators McCaslin, Strannigan, Haugen, Sellar, Brown and Loveland; by request of State Treasurer).

Brief History:

Committee Activity: Government Operations: 1/20/98, 1/22/98 [DPS].
Passed Senate, 2/11/98, 42-0.

SENATE COMMITTEE ON GOVERNMENT OPERATIONS

Majority Report: That Substitute Senate Bill No. 6175 be substituted therefor, and the substitute bill do pass.

Signed by Senators McCaslin, Chair; Hale, Vice Chair; Anderson, Haugen, Horn, Patterson and T. Sheldon.

Staff: Diane Smith (786-7410)

Background: State agencies have the authority to finance the purchase of real estate and equipment by means of financing contracts. All financing contracts must be approved by the State Finance Committee. The state Treasurer's Office administers this program, called the Lease/Purchase program, for the State Finance Committee. By pooling agencies' financing requests in the name of the state of Washington, the state Treasurer provides individual state agencies access to the municipal securities markets and lower tax-exempt interest rates.

Local governments and special purpose districts do not have the authority to participate in the Lease/Purchase program. To finance their purchases, local governments and special purpose districts use vendor financing or seek access individually to the financial markets. Both of these avenues have high costs.

Summary of Bill: Agricultural commissions, libraries, educational service districts, the Superintendent of Public Instruction, the School Directors' Association, health districts, counties, cities, towns, school districts and any other special purpose district are given the option to participate in the Lease/Purchase program. The state Treasurer may levy fees sufficient to ensure that the program is self-supporting. The state Treasurer has authority to use the local entity's state revenue share to fulfill any part of a financing contract on which the local entity defaults. The state may assume a contingent obligation to pay under the financing contract. Payments made by the local entity are made through the state Treasurer's Office.

Debts incurred under the Lease/Purchase program are not excluded from the debt limitations on taxing districts, fire protection districts and port districts.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: September 1, 1998, for financing of equipment; July 1, 2000, for financing of real estate.

Testimony For: This bill gives local governments access to financial markets capable of providing the best interest rate for the local governments. It provides cost savings especially for the smaller jurisdictions and introduces standardization into the financing process. This is a voluntary financing alternative to help local governments meet greater demands with less money.

Testimony Against: None.

Testified: PRO: Mike Murphy, State Treasurer; Stan Finkelstein, AWC; Skip Houser, Washington Fire Commissioners Association; Allan Martin, President, Washington State Association of County Treasurers.

House Amendment(s): The House amendment clarifies that a local government obligation to make payment for a financing contract is not a general obligation of the state.