

FINAL BILL REPORT

SHB 1517

C 212 L 95

Synopsis as Enacted

Brief Description: Revising guidelines for receipt and expenditure of federal and private funds by local governments.

Sponsors: House Committee on Capital Budget (originally sponsored by Representatives L. Thomas, Rust, Horn, Sommers and Ballasiotes).

House Committee on Capital Budget
Senate Committee on Government Operations

Background: The federal government provides funding through a variety of programs to support local economic development activity. These federal programs generally involve block grants and loan guarantees to local governments that may be used to finance private business and real estate development. The Washington State Constitution prohibits state and local government resources from being used for private purposes under the "lending of credit" provisions. These restrictions, however, do not apply to federal money.

Virtually all the economic development lending and financing programs working in Washington state are funded from federal resources where state and local government is acting as the pass-through or "conduit" to private development.

Local governments have expressed an interest in leveraging the federal money for economic development purposes by issuing bonds or notes and pledging future federal grants as payment on the bonds. These types of debt arrangements are referred to as "conduit" financing. Even though local government funds are not involved in these financial transactions, local governments need specific statutory authority to take advantage of conduit financing.

Summary of Bill: Counties, cities, towns and public corporations are authorized to engage in federally guaranteed "conduit financing." Specifically, local governments may issue bonds or other instruments of debt and pledge future federal and private grants, payments or property to repay the debt.

The local government may establish special accounts for the receipt and payment of bonds and may contract with a financial institution to act as trustee for the account.

Conduit financing may be used to finance any public or private purpose authorized by section 108 of the federal housing and community development act. Any obligation for repayment of bonds or loans is only payable from the special accounts or other security pledges and is not the obligation of the local government. Conduit financing is not counted toward any local government debt limits. Any debt financing, consistent with this authority issued by a local government prior to the effective date of this bill, shall be considered valid.

Votes on Final Passage:

House	97	0	
Senate	46	0	(Senate amended)
House	94	2	(House concurred)

Effective: May 3, 1995