

# SENATE BILL REPORT

## SHB 1398

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As Reported By Senate Committee On:  
Ways & Means, March 15, 2007

**Title:** An act relating to the University of Washington's and Washington State University's local borrowing authority.

**Brief Description:** Expanding the University of Washington's and Washington State University's local borrowing authority.

**Sponsors:** House Committee on Capital Budget (originally sponsored by Representatives Fromhold, Wallace, Anderson, McDonald, Pedersen and Chase; by request of University of Washington).

**Brief History:** Passed House: 2/23/07, 93-1.

**Committee Activity:** Ways & Means: 3/15/07 [DP].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hatfield, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Rockefeller, Schoesler and Tom.

**Staff:** Brian Sims (786-7431)

**Background:** The Board of Regents at the state research universities are authorized to issue bonds and other debt for research and enterprise facilities. Research facilities are largely supported by federal grants and contracts, as well as other nonstate sources. Enterprise facilities generate revenue from their operations, and these facilities are not subject to legislative appropriation. Such facilities include student housing and dining halls, parking structures, intercollegiate athletics, hospitals, and other student services. The research universities are not authorized to issue bonds for academic and administrative facilities, but may execute other long-term financial commitments for such facilities. These other long-term financial commitments include long-term leases and lease-to-own contracts that take advantage of tax-exempt financing under the federal tax code (commonly referred to as 63-20 projects). These allowable long-term financial commitments are typically more costly than bond financing.

**Summary of Substitute Bill:** The authority of the University of Washington and Washington State University to issue bonds is expanded to any university purpose. Any nonappropriated

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funds may be obligated for the repayment of such bonds. This debt will not count against the state's constitutional debt limit and will not be backed by the full faith and credit of the state. The universities must report annually to the appropriate committees of the Legislature and the State Treasurer on the use of this bonding authority.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony (on companion SB 5384):** PRO: The increased bonding authority would allow for the lowest cost financing for university facilities. The two research universities have excellent credit and currently have authority to finance the same facilities with higher cost debt. Section 3 includes an unnecessary restriction on issuing debt.

**Persons Testifying:** PRO: Mike Murphy, State Treasurer; Harlan Patterson, University of Washington; Larry Ganders, Washington State University.