

SENATE BILL REPORT

SB 5452

As Passed Senate, March 3, 2009

Title: An act relating to increasing the debt limit of the housing finance commission.

Brief Description: Increasing the debt limit of the housing finance commission.

Sponsors: Senators Kauffman, Kohl-Welles, Tom, Delvin, Kline, Honeyford, Kilmer, Jarrett, McCaslin, Fraser, Prentice, Shin and McDermott.

Brief History:

Committee Activity: Financial Institutions, Housing & Insurance: 1/27/09, 1/28/09 [DP-WM, DNP].

Passed Senate: 3/03/09, 37-10.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Berkey, Chair; Hobbs, Vice Chair; Franklin and Prentice.

Minority Report: Do not pass.

Signed by Senators Benton, Ranking Minority Member; Parlette and Schoesler.

Staff: Philip Brady (786-7460)

Background: The Housing Finance Commission (Commission) was created by the Legislature 25 years ago to assist in making affordable and decent housing available throughout the state and to encourage the use of Washington forest products in residential construction. At that time, Washington was the only state without a housing finance agency. Now, as then, federal law authorizes state housing finance agencies to issue tax-exempt revenue bonds to fund low-cost housing assistance.

The Commission has the authority to issue up to \$5 billion in outstanding indebtedness. This limitation began in 1983 as \$1 billion and was raised five times since then, including in 2006 when the limitation of \$4.5 billion was enacted, and 2008 when the current limitation was enacted.

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 is a financial conduit. It issues nonrecourse revenue bonds and participates in federal, state, and local housing programs, making additional funds available at affordable rates to help provide housing throughout the state.

The Commission's bonds are not debts of the state or any agency of the state, except the Commission. The Commission has no powers of eminent domain or taxation. Its administrative costs may not be paid from state funds.

Summary of Bill: The limitation on the Commission's outstanding indebtedness is raised to \$7 billion.

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: PRO: In a normal year, the Commission uses about \$500,000 of its debt limit, but it varies depending on demand. In 2007 it used slightly more than \$1 billion. Raising the debt limit by this amount would mean the Commission won't have to come back in the near future. The state is not liable for the debts of the Commission, and those debts are usually covered by letters of credit or bond insurance. Commission activities jump start the economy with little or no risk to the state. First-time home buyers are the key to getting the economy back on track. The biggest problem for first-time home buyers is the down payment, and the Commission helps them avoid the problem. Over the next two years, this increase in the debt limit would allow 12,000 new home buyers and create 8,500 jobs, \$130 million in tax revenue, and \$340 million in wages in Washington.

Persons Testifying: PRO: Kim Herman, Housing Finance Commission; Phil Harlan, Washington Realtors; Erik Hand, Responsive Mortgage/John L. Scott Real Estate.