

HOUSE BILL REPORT

HB 2836

*As Reported By House Committee on:
Trade & Economic Development*

Title: An act relating to the economic development finance authority.

Brief Description: Clarifying the use of funds for economic development by the economic development finance authority.

Sponsor(s): Representatives Rasmussen, Forner, Cantwell, Ludwig, Sheldon, Wineberry, Paris and Bowman.

Brief History:

Reported by House Committee on:
Trade & Economic Development, February 7, 1992, DPS.

**HOUSE COMMITTEE ON
TRADE & ECONOMIC DEVELOPMENT**

Majority Report: *The substitute bill be substituted therefor and the substitute bill do pass.* Signed by 8 members: Representatives Cantwell, Chair; Sheldon, Vice Chair; Forner, Ranking Minority Member; Ferguson; Kremen; Ludwig; Rasmussen; and Roland.

Minority Report: *Do not pass.* Signed by 3 members: Representatives Betrozoff, Assistant Ranking Minority Member; Moyer; and Riley.

Staff: Charlie Gavigan (786-7340).

Background:

The Legislature created the Washington Economic Development Finance Authority (WEDFA) in 1989 to address unmet capital needs of small and medium-sized businesses. WEDFA uses non-state funds, including non-recourse revenue bonds, in its programs to provide loans and other credit to businesses and farmers who do not have access to capital at terms and rates comparable to large corporations.

WEDFA is authorized to provide three programs: (1) a program to assist small businesses fund export transactions; (2) a program to provide advanced financing to farmers secured by contracts under the federal Agriculture Conservation Reserve

Program; and (3) a program to pool loans made through federal agencies such as the Small Business Administration.

A board, comprised of 18 members, governs WEDFA. The Department of Trade and Economic Development provides staff for WEDFA, although the staff cannot participate in activities that could involve the state in WEDFA's credit decisions.

The state Supreme Court recently heard arguments regarding a challenge to the constitutionality of WEDFA. The state treasurer refused to approve the sale of taxable non-recourse bonds to implement WEDFA's loan pooling program, arguing that Article 32 of the state constitution precludes the issuance of taxable revenue bonds for industrial development related projects. WEDFA argues that Article 32 only applies to tax-exempt bonds, which WEDFA cannot issue. A decision is pending.

Summary of Substitute Bill: In addition to the three programs statutorily authorized, WEDFA can develop other programs to make loans or loan guarantees to businesses to improve economic development in Washington State. Non-recourse revenue bond proceeds can be used for WEDFA's three statutorily authorized programs and for loan and loan guarantee programs developed by the authority. The authority must update its general plan and report to the Legislature annually rather than biennially.

Substitute Bill Compared to Original Bill: Authority for WEDFA to conduct individual transactions separate from WEDFA's programs is removed. Clarification is made that bond proceeds can be used for programs developed by WEDFA. The Washington Economic Development Finance Authority must report annually rather than biennially.

Fiscal Note: Not requested.

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

Testimony For: None.

Testimony Against: The Washington Economic Development Finance Authority should not be used to help finance a horse racing facility.

Witnesses: Mike Tice, Rainier Jockey Club (Con).