

HOUSE BILL REPORT

EHB 1428

As Passed Legislature

Title: An act relating to the content of budget documents.

Brief Description: Altering budget request requirements.

Sponsor(s): Representatives Neher, H. Sommers and Schmidt; by request of Office of Financial Management.

Brief History:

Reported by House Committee on:
Capital Facilities & Financing, February 19, 1991, DPA;
Passed House, March 8, 1991, 89-4;
Amended by Senate;
House concurred;
Passed Legislature, 95-1.

**HOUSE COMMITTEE ON
CAPITAL FACILITIES & FINANCING**

Majority Report: *Do pass as amended.* Signed by 15 members: Representatives H. Sommers, Chair; Rasmussen, Vice Chair; Schmidt, Ranking Minority Member; Neher, Assistant Ranking Minority Member; Beck; Braddock; Brough; Casada; Fraser; Heavey; Jacobsen; Ogden; Peery; Silver; and Wang.

Staff: Bill Robinson (786-7140).

Background: Current state accounting and reporting practices hide the impact of debt service payments on the state general fund. Statutory provisions and bond covenants require the state treasurer to transfer pledged revenues required for debt service payments directly into debt service accounts. This insures that bond repayment is not compromised by either executive or legislative actions once a bond commitment is made.

This practice, however, gives limited visibility to the amount of debt service paid by the State. Debt payments are recorded as a revenue transfer and are deducted from state revenues when the revenue forecast is prepared. Only in the detailed tables of the revenue forecast are the amounts of debt service payments shown. Debt service payments from the general fund are neither included in the budget nor reported as expenditures requiring legislative appropriation.

State general fund debt service payments have grown from \$196 million in 1981-83 to over \$515 million in 1991-93 and are expected to exceed \$1 billion by the 1995-97 biennium. This is a "bow-wave" cost that should be highlighted as part of the decision-making process, for it has significant implications to other general fund priorities in the operating and capital budgets.

Summary of Bill: The Budget and Accounting Act is amended to require the governor's capital budget request to include a separate document containing a proposed capital spending plan for the next 10 years and a listing of specific capital projects for each agency for the next six years, three fiscal biennia. The capital budget bill must identify the amount of general fund debt service costs associated with the appropriations in the bill for the next three biennia. Local matching money for capital projects is to be spent in the same proportion as state money over the term of the project. The Office of Financial Management is to adopt guidelines implementing this new requirement.

Fiscal Note: Available.

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

Testimony For: The State is attempting to improve the capital management and budgeting process. A long-range master plan for capital facilities that incorporates a more focused strategy for facility maintenance and construction is one of the methods for improving the process.

Testimony Against: None.

Witnesses: Carol Cheattle, Office of Financial Management (in favor).