FINAL BILL REPORT

EHB 1428

C 284 L 91
Synopsis As Enacted

Brief Description: Altering budget request requirements.

By Representatives Neher, H. Sommers and Schmidt; by request of Office of Financial Management.

House Committee on Capital Facilities & Financing
Senate Committee on Ways & Means

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 ensures 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 state 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: 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, or 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 must be spent in

the same proportion as state money over the term of the project. The Office of Financial Management must adopt guidelines implementing this new requirement.

Votes on Final Passage:

House	89	4	
Senate	46	0	(Senate amended)
House	95	1	(House concurred)

Effective: July 28, 1991