SENATE BILL REPORT

SB 5324

AS OF MARCH 12, 1991

Brief Description: Changing limits on issuance of evidences of indebtedness.

SPONSORS: Senators Bluechel, McDonald, Wojahn, Bauer, Conner, Williams, McMullen and Gaspard; by request of Governor Gardner.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Michael Groesch (786-7715)

Hearing Dates: March 12, 1991

BACKGROUND:

Article VIII, Section 1 of the State Constitution prohibits new general obligation debt payments from exceeding 9 percent of the average of the prior three years' general state revenues. Excluded from the 9 percent limit are voter-approved bonds, bonds payable from excise taxes on motor vehicle fuels and motor vehicle license fees, debt payable on income received from investment of the permanent common school fund, debt issued to pay temporary deficiencies in the State Treasury, or debt payable from specific revenues.

The statutory limit on debt was adopted by the Legislature in 1979 and amended in 1983. RCW 39.42 states that new general obligation debt may not be issued if the new debt would cause maximum annual debt service on all subsequent general obligation debt to exceed 7 percent of the average of general state revenues for the preceding three years. The statutory restriction differs from the constitutional limit because voter-approved debt is included in the debt obligation subject to the 7 percent limit. The 1983 amendment excluded reimbursement bonds from the statutory 7 percent debt limit.

Reimbursement bonds include bonds which are backed by revenue sources which reimburse the general state revenues for payments on the debt service. These sources include higher education tuition fees, patient fees from the University of Washington Hospital, and hotel/motel taxes levied in King County and operating revenues of the state convention center.

General state revenues comprise approximately 85 percent of the state general fund revenues. General state revenues are smaller than state general fund revenues because certain revenues sources are excluded because they are defined as dedicated sources for specific purposes and consequently are not available for general expenditures. The real estate excise tax, property tax, tuition, liquor profits, and state forest and excise taxes are not included in general state revenues but they are part of the state general fund.

SUMMARY:

The statutory debt limit is raised from 7 percent of general state revenues to 8 percent. Of the additional debt capacity created by raising the statutory debt limit, $1 billion is reserved over the next ten years for the following purposes: