# HOUSE BILL REPORT

# HB 1591

As Reported By House Committee On:
Capital Budget

**Title:** An act relating to evidences of indebtedness.

**Brief Description:** Adjusting the aggregate debt limit.

**Sponsors:** Representatives Sommers and Wang.

**Brief History:**
Reported by House Committee on:
Capital Budget, March 4, 1993, DPS.

## HOUSE COMMITTEE ON CAPITAL BUDGET

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives Wang, Chair; Ogden, Vice Chair; Sehlin, Ranking Minority Member; Morton, Assistant Ranking Minority Member; Brough; Eide; R. Fisher; Jacobsen; Jones; Ludwig; Romero; Silver; Sommers; and Thomas.

**Staff:** Bill Robinson (786-7140).

**Background:** The state constitution, when ratified by a vote of the people in 1889, authorized the state to meet casual deficits or failure of revenues by contracting debt up to a limit of $400,000 without a vote of the people. The state could issue debt beyond the limit after receiving a favorable vote by a majority of the voters at a general election.

In 1972, the voters approved a constitutional amendment authorizing the Legislature to issue debt without voter approval, provided that principal and interest payments in any year did not exceed 9 percent of the average of the prior three years general state revenues. The amendment defined general state revenues and identified specific types of debt that are outside the debt limit and, therefore unlimited. These types of debt are voter approved debt, debt payable from gas taxes and motor vehicle license fees, bonds payable from the permanent common school fund and bonds issued to meet temporary deficiencies in the state treasury. Voter approved debt requires a majority vote at either a state general or special election.

In 1979, the state Legislature adopted a statutory limit on the amount of state debt. The statutory debt limit is 7 percent of the average of the prior three years general state revenues. In 1983, under threat that the state might exceed the 7 percent limit, the Legislature excluded reimbursable bonds from the statutory debt limit. These bonds are called reimbursable bonds because revenue sources other than general state revenues are used to reimburse the general fund for the principal and interest costs on the bonds. These sources include such revenue items as hospital patient fees, student tuition, and hotel and motel taxes.

In 1991, the governor’s capital budget recommended increasing the 7 percent debt limit to 8 percent to meet the increasing level of borrowed money to finance new initiatives in the budget. The Legislature avoided raising the state debt limit by funding a major portion of the higher education and public school budget from reimbursable bonds which technically fall outside of the debt limit. The school bonds are reimbursed from state property taxes and the higher education bonds are reimbursed from student tuition.

**Summary of Substitute Bill:** All reimbursable bonds issued after June 30, 1993 will be subject to the 7 percent state debt limit.

**Substitute Bill Compared to Original Bill:** The temporary increase in the debt limit from 7 percent to 7.25 percent is deleted. The property tax and higher education operating fee reimbursable bonds used in the 1991-93 capital budget are not changed.

**Fiscal Note:** Not requested.

**Effective Date of Substitute Bill:** The bill contains an emergency clause and takes effect on June 30, 1993.

**Testimony For:** None.

**Testimony Against:** None.

**Witnesses:** None.