

FINAL BILL REPORT

SSB 5937

C 52 L 93

SYNOPSIS AS ENACTED

Brief Description: Including certain indebtedness in the calculation of the seven percent debt limitation.

SPONSORS: Senate Committee on Ways & Means (originally sponsored by Senators Quigley, Snyder, Gaspard, von Reichbauer, Vognild, A. Smith, Rinehart, McAuliffe, Drew, Hargrove, Sheldon, Loveland, Haugen, Erwin, Sutherland, Jesernig, Skratek, Spanel, Niemi, Roach, Hochstatter and Deccio)

SENATE COMMITTEE ON WAYS & MEANS

HOUSE COMMITTEE ON CAPITAL BUDGET

BACKGROUND:

The statutory 7 percent debt limit restricts the State Treasurer from issuing new general obligation bonds if the debt would cause the state's total principal and interest payments to exceed 7 percent of the average of general state revenues for the preceding three fiscal years. General state revenues include all treasury funds except taxes levied for specific purposes, fees from operation of facilities, trust funds, and other specified funds.

Bonds are excluded from the statutory debt limit if another funding source reimburses the general state revenues for the new debt service payments. These bonds are described as reimbursable bonds.

In the 1991-93 biennium the Legislature authorized the sale of reimbursable bonds for the construction of K-12 and higher education facilities. General fund property tax and tuition revenues dedicated to education were identified as the sources for reimbursement for debt service payments. The use of these types of reimbursable bonds has limited the effectiveness of the constraints on general fund debt service growth which were intended by the statutory debt limit.

SUMMARY:

The general exclusion of reimbursable bonds from the statutory 7 percent debt limit is eliminated. The effect of the change is proactive and does not affect any current bond covenants.

Certain bonds are specifically excluded from the 7 percent debt limit. Reimbursable bonds authorized or issued before July 1, 1993 are outside the 7 percent debt limit consistent with current practice. Bonds reimbursed by money from outside

the state treasury are not under the 7 percent debt limit except those reimbursed by higher education operating fees.

VOTES ON FINAL PASSAGE:

Senate	37	10	
House	98	0	(House amended)
Senate	41	8	(Senate concurred)

EFFECTIVE: July 1, 1993