SENATE BILL REPORT

SSB 5937

AS PASSED SENATE, MARCH 10, 1993

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

Majority Report: That Substitute Senate Bill No. 5937 be substituted therefor, and the substitute bill do pass.
Signed by Senators Rinehart, Chairman; Spanel, Vice Chairman; Cantu, Gaspard, Hargrove, Jesernig, Owen, Quigley, Roach, Snyder, Sutherland, Talmadge, West, Williams, and Wojahn.

Staff: Michael Groesch (786-7715)

Hearing Dates: March 4, 1993; March 5, 1993

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. Bonds are excluded if the State Treasury is reimbursed from nonappropriated funds, higher education building fees, indirect costs recovered from federal grants and contracts, or fees and charges associated with hospitals operated or managed by state universities.

Appropriation: none

Revenue: none

Fiscal Note: none requested

Effective Date: July 1, 1993

TESTIMONY FOR: None

TESTIMONY AGAINST: None

TESTIFIED: No one

HOUSE AMENDMENT(S):

Reimbursable bonds authorized or issued before July 1, 1993 are outside the 7 percent debt limit consistent with current practice. Reimbursable bonds authorized and issued after July 1, 1993 are within the 7 percent debt limit except bonds reimbursed by money from outside the state treasury, not including higher education operating fees.