

SENATE BILL REPORT

SB 5937

AS REPORTED BY COMMITTEE ON WAYS & MEANS, MARCH 5, 1993

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

**SPONSORS:** 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

**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 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.

**EFFECT OF PROPOSED SUBSTITUTE:**

Bonds are excluded from the 7 percent debt limit 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