

SENATE BILL REPORT

SB 6064

As Reported By Senate Committee On:
Ways & Means, March 25, 1997

Title: An act relating to state general obligation bonds and related accounts.

Brief Description: Issuing bonds and managing bond retirement.

Sponsors: Senators Strannigan and Fraser; by request of Office of Financial Management.

Brief History:

Committee Activity: Ways & Means: 3/24/97, 3/25/97 [DPS, DNP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6064 be substituted therefor, and the substitute bill do pass.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Hochstatter, Long, McDonald, Roach, Rossi, Swecker, Winsley and Zarelli.

Minority Report: Do not pass.

Signed by Senators Fraser, Kohl, Loveland, Sheldon, Spanel and Thibaudeau.

Staff: Mike Groesch (786-7434)

Background: The State of Washington periodically issues general obligation bonds to finance projects authorized in the capital and transportation budgets. General obligation bonds pledge the full faith and credit and taxing power of the state towards payment of debt service. Legislation authorizing the issuance of bonds requires a 60 percent majority vote in both the House of Representatives and the Senate. Bond authorization legislation generally specifies the account or accounts into which bond sale proceeds are deposited, as well as the source of debt service payments. The state general obligation bond retirement fund is used in most cases for bond retirement purposes.

When debt service payments are made from the bond retirement accounts, the State Treasurer withdraws the amounts necessary to make the payments from the state general fund and deposits them into the bond retirement funds. For reimbursable bonds, an equal amount is then transferred to the general fund from the source of the reimbursement.

The State Finance Committee, composed of the Governor, the Lieutenant Governor, and the State Treasurer, is responsible for supervising and controlling the issuance of all state bonds.

Summary of Substitute Bill: *Bond Issuance Authorized.* The State Finance Committee is authorized to issue \$945 million of state general obligation bonds to finance projects appropriated in the 1997-99 capital and operating budgets. The proceeds of the sale of the bonds are deposited into five accounts: \$825.9 million is deposited into the state building

construction account; \$25 million is deposited into the outdoor recreation account; \$25 million is deposited into the habitat conservation account; \$1.6 million is deposited into the public safety reimbursable bond account; and \$41.8 million is deposited into the higher education construction account.

The State Treasurer is required to withdraw from state general revenues the amounts necessary to make the principal and interest payments on the bonds and to deposit these amounts into the bond retirement account. However, for bond proceeds deposited into the public safety reimbursable bond account, the State Treasurer is to transfer the amounts necessary to the make principal and interest payments on the bonds to the appropriate bond retirement account from the public safety and education account. For bond proceeds deposited into the higher education construction account, the State Treasurer is to transfer the amounts necessary to the make principal and interest payments on the bonds to the appropriate bond retirement account from amounts paid to him by the University of Washington from nonappropriated local funds.

New Bond Retirement Accounts. Eight new bond retirement accounts are created: The debt-limit general fund bond retirement account; the debt-limit reimbursable bond retirement account; the nondebt-limit general fund bond retirement account; the nondebt-limit reimbursable bond retirement account; the nondebt-limit proprietary appropriated bond retirement account; the nondebt-limit proprietary nonappropriated bond retirement account; the nondebt-limit revenue bond retirement account; and the transportation improvement board bond retirement account. These accounts are used for debt service on existing bond issues.

Existing Bond Authorizations Modified. The \$1,284 million general obligation bond authorization for the 1991-93 biennium is reduced by \$12.9 million to \$1,271.1 million. Energy efficiency construction account bonds of \$15 million are eliminated and energy efficiency services account bonds of \$3.0 million are decreased to \$2.8 million.

The \$811 million general obligation bond authorization for the 1995-97 biennium is increased by \$50.3 million to \$861.3 million. Of this increase, the authorization for the state building construction account is decreased by \$362,000 and the authorizations for the outdoor recreation account and the habitat conservation account are each increased by \$2.5 million.

Substitute Bill Compared to Original Bill: The original bill was not considered.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill contains an emergency clause and takes effect immediately.