

HOUSE BILL REPORT

HJR 4203

As Reported By House Committee On:
Capital Budget

Brief Description: Guaranteeing school district debt.

Sponsors: Representatives Murray, Mitchell, Huff, H. Sommers, Bush, Esser, Lambert, O'Brien, Haigh, Rockefeller, Kenney and Campbell; by request of State Treasurer.

Brief History:

Committee Activity:

Capital Budget: 2/3/99, 2/18/99 [DP].

Brief Summary of Bill

- Submits a constitutional amendment authorizing the state to guarantee payment on school district general obligation debt to the voters at the next general election.
- Exempts the school district debt guarantee program from the state debt limit.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass. Signed by 18 members: Representatives Mitchell, Republican Co-Chair; Murray, Democratic Co-Chair; Edmonds, Democratic Vice Chair; Esser, Republican Vice Chair; Alexander; Anderson; Barlean; Bush; Constantine; Dunshee; Hankins; Koster; Lantz; Mastin; Miloscia; O'Brien; Ogden and Schoesler.

Staff: Bill Robinson (786-7140).

Background:

Article VIII section I of the state constitution permits the state to contract debt and make payments on the debt for up to 30 years. The total amount of state debt is limited to the principal and interest payments in any year that will not exceed 9 percent of the average of the prior three years of general state revenues. Excluded from the 9 percent limit are:

1. Voter approved bonds;
2. Bonds payable from the gas tax and motor vehicle license fees;
3. Bonds payable from income received from the investment of the permanent common school fund;
4. Debt issued to meet temporary deficiencies in the state treasury or debt issued in the form of bond anticipation notes; and
5. Bonds payable solely from revenues of particular public activity.

The constitution also allows the state to pledge its full faith and credit to guarantee payment on any debt to be paid from revenues from the motor vehicle license fees, motor vehicle fuel tax and interest on the permanent common school fund.

Summary of Bill:

At the next general election there will be submitted to the voters for approval or rejection, a constitutional amendment authorizing the state to guarantee payment on school district general obligation debt, and exempt any state payment on such guaranteed school district debt from the 9 percent debt limit.

Appropriation: None.

Fiscal Note: Not requested.

Testimony For: This is to implement HB 1271 which creates the school district credit enhancement program. The public school districts in this state should benefit from the good bond rating of the state. Bond insurance for voter approved school debt is an unnecessary cost. There has never been a default on a school district bond, so the risk associated with the insurance policy is nil. The savings of over \$13 million that will accumulate over the next 15 years could be passed onto taxpayers.

Testimony Against: None

Testified: Mike Murphy, State Treasurer; Ben Acker, Castle Rock School District; and Mike Currie, Office of the Superintendent of Public Instruction.