

HOUSE BILL REPORT

SB 6818

As Reported by House Committee On:
Capital Budget

Title: An act relating to state general obligation bonds.

Brief Description: Concerning the issuance of state general obligation bonds.

Sponsors: Senators Fairley and Zarelli.

Brief History:

Committee Activity:

Capital Budget: 3/11/02 [DPA].

Brief Summary of Bill
(As Amended by House Committee)

- Authorizes \$50 million in debt limit bonds to finance 2002 supplemental Capital Budget projects.
- Includes in the calculation of general state revenues for statutory debt capacity purposes the portion of the Real Estate Excise Tax going to the general fund for common schools.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass as amended. Signed by 9 members: Representatives Murray, Chair; McIntire, Vice Chair; Chase, Hunt, Lantz, O'Brien, Ogden, Reardon and Veloria.

Minority Report: Do not pass. Signed by 8 members: Representatives Alexander, Ranking Minority Member; Armstrong, Bush, Casada, Esser, Hankins, Schoesler and Woods.

Staff: Charlie Gavigan (786-7340).

Background:

Washington State is on a biennial budget cycle. The Legislature authorizes expenditures for capital needs in the Capital Budget for a two-year period, and authorizes bond sales through passage of a bond bill associated with the Capital Budget. The current Capital

Budget covers the period from July 1, 2001, through June 30, 2003.

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. When debt service payments are due, the State Treasurer withdraws the amounts necessary to make the payments from the state general fund and deposits them into the bond retirement funds. 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.

In 1979 the Legislature enacted a statutory 7 percent debt limit in addition to the existing constitutional 9 percent debt limit; these limit the amount of general obligation bonds and other debt the state can issue. Under this statutory limitation, debt service may not exceed 7 percent of the three-year average of general state revenues. General state revenues are defined as all receipts to the state treasury with several exceptions such as dedicated moneys and trust funds.

Summary of Amended Bill:

The State Finance Committee is authorized to issue up to \$50 million of state general obligation bonds to finance projects appropriated in the 2001-03 supplemental Capital Budget. The authority is only for appropriations made in the 2001-03 biennium.

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.

The statutory calculation of general state revenues includes the portion of the Real Estate Excise Tax going into the general fund for the support of common schools. Clarification is made that the lottery revenues going into the Education Construction Fund are considered general state revenues as provided in Initiative 728.

Amended Bill Compared to Original Bill:

The amended bill authorizes \$50 million in debt limit bonds and includes a portion of the Real Estate Excise Tax in the calculation of general state revenues, while the original bill authorized \$175 million in bonds exempted from the debt limit and also exempted voter-

approved bonds from the debt limit.

Appropriation: None.

Fiscal Note: Not Requested.

Effective Date of Amended Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: None.

Testimony Against: None.

Testified: None.