

FINAL BILL REPORT

SB 6818

C 240 L 02
Synopsis as Enacted

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

Sponsors: Senators Fairley and Zarelli.

Senate Committee on Ways & Means
House Committee on Capital Budget

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.

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. 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. Under this statutory limitation, debt service may not exceed 7 percent of the three year average of general state revenues. There exist various statutory exceptions to this limit.

Summary: The State Finance Committee is authorized to issue up to \$89.7 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 definition of "general state revenues" used for calculating the statutory debt limit is broadened to include the real estate excise tax (REET).

Votes on Final Passage:

Senate 48 1
House 63 35 (House amended)
Senate 43 1 (Senate concurred)

Effective: March 28, 2002