

SENATE BILL REPORT

SB 5402

As Reported By Senate Committee On:
Ways & Means, April 16, 2003

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

Brief Description: Issuing general obligation bonds.

Sponsors: Senators Zarelli, Poulsen and Fairley; by request of Office of Financial Management.

Brief History:

Committee Activity: Ways & Means: 4/16/03 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5402 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rossi, Chair; Hewitt, Vice Chair; Zarelli, Vice Chair; Brown, Doumit, Fairley, Fraser, Hale, Honeyford, Johnson, Parlette, Poulsen, Regala, Roach, Sheahan and B. Sheldon.

Staff: David Schumacher (786-7474)

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 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 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 of Substitute Bill: The State Finance Committee is authorized to issue up to \$1.2 billion of state general obligation bonds to finance projects appropriated in the 2003-05 supplemental capital budget. The authority is only for appropriations made in the 2003-05 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 state statutory debt limit is changed to 8.5 percent and the various statutory exceptions are removed so that the base and the definitions are the same as for the 9 percent constitutional limit.

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.