

HOUSE BILL REPORT

HB 2649

As Reported by House Committee On: Capital Budget

Title: An act relating to authorizing state general obligation bonds for the state's share of the Centralia-Chehalis flood control project.

Brief Description: Authorizing state general obligation bonds for the state's share of the Centralia-Chehalis flood control project.

Sponsors: Representatives Alexander, Chase, Moeller, Green, McIntire, Kenney and Ross; by request of Governor Gregoire.

Brief History:

Committee Activity:

Capital Budget: 2/21/08, 2/22/08 [DP].

Brief Summary of Bill

- Authorizes the issuance of \$50 million in new state general obligation bonds for the state's share of the Centralia-Chehalis flood control project.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass. Signed by 22 members: Representatives Fromhold, Chair; Ormsby, Vice Chair; Schual-Berke, Vice Chair; McDonald, Ranking Minority Member; Newhouse, Assistant Ranking Minority Member; Appleton, Blake, Chase, Dunshee, Eickmeyer, Flannigan, Hankins, Hasegawa, Kelley, McCune, Orcutt, Pearson, Pedersen, Sells, Skinner, Smith and Upthegrove.

Staff: Susan Howson (786-7142).

Background:

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

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the Senate. 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.

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.

Washington's indebtedness is limited by both a statutory and a constitutional debt limit. The State Treasurer may not issue any bonds that would cause the debt service on the new, plus existing bonds, to exceed 7 percent of general state revenues averaged over three years in the case of the statutory limit, and 9 percent under the constitutional limit. For purposes of the debt limit, "general state revenues" is defined in the State Constitution and by statute.

In December 2007 a series of storms caused flood damage in southwest Washington. On December 8, the President declared a major disaster in the counties of Grays Harbor, Kitsap, Lewis, Mason, Pacific and Thurston. Federal funding assistance was made available following this declaration.

Summary of Bill:

The State Finance Committee is authorized to issue \$50 million in state general obligation bonds to finance the state's share of the Centralia-Chehalis flood control project.

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.

Appropriation: None.

Fiscal Note: Not requested.

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

Staff Summary of Public Testimony:

(In support) The Governor requested this bill to establish a \$50 million bond authorization to support projects on a 10-mile corridor of Interstate 5, and the nearby vicinities of Centralia and Chehalis. Because the \$50 million is necessary to meet requirements of flood victims throughout the Chehalis River Basin, the area covered by the bonds should be broadened. House Bill 3374 includes the entire basin-wide area, which includes Centralia, Chehalis, parts of Grays Harbor and Thurston County.

The \$50 million should not be limited to only matching federal funds, because there are other important projects in the Chehalis River basin.

(Opposed) None.

Persons Testifying: (In support) Representative Alexander, prime sponsor; and Ron Averill, Lewis County.

Persons Signed In To Testify But Not Testifying: None.