
Capital Budget Committee

HJR 4226

Brief Description: Amending the Constitution to include the recommendations of the commission on state debt.

Sponsors: Representatives Dunshee and Warnick; by request of Commission on State Debt.

Brief Summary of Bill

- Directs the Secretary of State to submit a constitutional amendment relating to the debt limit to the voters for approval and ratification, or rejection, in the next general election to be held in the state.
- Changes the constitutional debt limit from 9 percent to 8.75 percent.
- Modifies the debt limit calculation to extend the average annual general revenue from a three-year to a six-year average.
- Modifies the definition of general state revenues to include state property taxes.

Hearing Date: 1/24/12

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, credit, and taxing power of the state towards payment of debt service (principal and interest payments).

Article VIII, section 1 of the Washington Constitution (Constitution) limits the issuance of general obligation bonds. The State Treasurer cannot issue any bonds that would cause the debt service on any new plus existing bonds to exceed 9 percent of the average of the prior three years' general state revenues. Generally speaking, the Constitution defines general state revenue as all unrestricted state tax revenues. General state revenues do not include state property taxes even though they are deposited in the State General Fund.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Legislation enacted in 2011 (SSB 5181) established a Commission on State Debt (Commission) to recommend possible changes to the constitutional debt limit and other debt policy in order to:

- stabilize the capacity to incur new debt in support of sustainable and predictable capital budgets;
- reduce the growth in debt service payments to an appropriate level that no longer exceeds the long-term growth in general fund expenditures; and
- maintain and enhance the state's credit rating.

The Commission reported its findings and recommendations in December 2011.

Recommendations include changes to constitutional and statutory working debt limits, creation of a Debt Advisory Council, and enhancements to debt service reporting.

Summary of Bill:

For debt incurred on and after July 1, 2014, the constitutional debt limit is 8.75 percent of the average of the prior six years' general state revenues. The definition of general state revenues includes state property taxes deposited in the State General Fund.

The constitutional amendment must be submitted to voters at the next general election. The Secretary of State must publish notice of the constitutional amendment at least four times during the four weeks preceding the election in every legal newspaper in the state. The ballot title is "The Legislature has proposed a constitutional amendment on implementing the Commission on State Debt recommendations regarding Washington's debt limit. This amendment would, effective July 1, 2014, reduce the debt limit percentage from nine to eight and three-quarters and modify the calculation date, calculation period, and the term general state revenues."

Appropriation: None.

Fiscal Note: Requested on January 13, 2011.