
Capital Budget Committee

SSJR 8215

Brief Description: Concerning the debt reduction act of 2011.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Kilmer, Parlette, Murray, Zarelli, Brown, Hobbs, Fraser, Tom, Sheldon, Honeyford and Hewitt).

Brief Summary of Substitute 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.
- Phases the 9 percent debt limit down to 7 percent in half percent increments every two years beginning in Fiscal Year (FY) 2016 and completing in FY 2022.
- Modifies the definition of general state revenues to include state property taxes.
- Modifies the debt limit calculation to extend the average annual general revenue from a three-year to a ten-year average.

Hearing Date: 4/18/11

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 8, section 1 of the Washington 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.

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.

Summary of Bill:

The 9 percent constitutional debt limit is phased down to 7 percent in half percent increments every two years beginning in FY 2016 and completing in FY 2022. The calculation period for determining the debt limit is changed from the average of the prior three years' general state revenues to the prior 10 years of general state revenues. The definition of general state revenues is modified to include state property taxes beginning in FY 2016, resulting in the addition of state property taxes to the general state revenues calculation from FY 2006 through FY 2015.

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 reducing the maximum amount of debt the state can incur. This amendment would reduce the debt limit percentage from nine to seven over a period of seven fiscal years beginning July 1, 2015, modify the calculation period and modify the term general state revenues."

Appropriation: None.

Fiscal Note: Available.