

HOUSE BILL REPORT

SSJR 8215

As Reported by House Committee On:
Capital Budget

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 History:

Committee Activity:

Capital Budget: 4/18/11, 5/17/11 [DPA].

Brief Summary of Substitute Bill (As Amended by House)

- 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 state's next general election.
- Reduces the 9 percent debt limit to 8.5 percent beginning in fiscal year (FY) 2018.
- 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 10-year average beginning in FY 2016.
- Directs the Legislature to establish an advisory debt limit that is one-half of 1 percent lower than the constitutional debt limit.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass as amended. Signed by 6 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Warnick, Ranking Minority Member; Asay, Moeller and Pearson.

Minority Report: Do not pass. Signed by 5 members: Representatives Zeiger, Assistant Ranking Minority Member; Jenkins, Lytton, Smith and Tharinger.

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.

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 (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.

Summary of Amended Bill:

The 9 percent constitutional debt limit is reduced to 8.5 percent beginning in fiscal year (FY) 2018 and thereafter. The calculation period for determining the debt limit is changed from the average of the prior three years of 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 calculation of general state revenues from FY 2006 through FY 2015.

The Legislature is directed to establish an advisory debt limit that is one-half of 1 percent lower than the constitutional debt limit. The advisory debt limit may be adjusted to reflect changes in economic trends and conditions.

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 one type of state debt. This amendment would lower the constitutional debt limit for "full faith and credit" bonds, increase the averaging period to ten years, and include the state property tax in the debt limit calculation."

Amended Bill Compared to Substitute Bill:

The 9 percent constitutional limit is reduced to 8.5 percent, rather than 7 percent. The Legislature is directed to establish an advisory debt limit. Debt for the purposes of the constitutional section is clarified. The ballot title is revised.

Appropriation: None.

Fiscal Note: Available.

Staff Summary of Public Testimony:

See Committee records from the 2011 Regular Session.

Persons Testifying: See Committee records from the 2011 Regular Session.

Persons Signed In To Testify But Not Testifying: See Committee records from the 2011 Regular Session.