

SENATE BILL REPORT

SJR 8215

As of February 21, 2011

Brief Description: Concerning the debt reduction act of 2011.

Sponsors: Senators Kilmer, Parlette, Murray, Zarelli, Brown, Hobbs, Fraser, Tom, Sheldon, Honeyford and Hewitt.

Brief History:

Committee Activity: Ways & Means:

SENATE COMMITTEE ON WAYS & MEANS

Staff: Brian Sims (786-7431)

Background: The state Constitution limits the issuance of state general obligation bonds. The State Treasurer may not issue a debt-limit general obligation bond if the amount of interest and principal payments in any year, along with such payments for existing debt limit bonds, would exceed 9 percent of the average of the annual general state revenue collections for the previous three fiscal years. State general revenues are defined as state taxes collected not for a specific purpose. State property taxes are excluded from the definition of general state revenue because they are statutorily dedicated to the common schools, even though they are deposited in the General Fund.

The Budget Stabilization Account was established in the state Constitution in 2007. One percent of general state revenue is deposited into the account at the end of each fiscal year. Money in the account may be withdrawn only under one of the following three conditions:

1. If the Governor declares a state of emergency resulting from a catastrophic event that necessitates government action to protect life or public safety; then for that fiscal year, monies may be withdrawn and used for purposes in the Governor's declaration upon approval of a simple majority of both houses.
2. If the employment growth forecast for any fiscal year is estimated to be less than 1 percent, then for that fiscal year monies may be withdrawn and appropriated by the favorable vote of a simple majority of both houses.
3. Any amount may be withdrawn and appropriated from the account at anytime by the favorable vote of at least three-fifths of the members both houses.

Summary of Bill: The debt limit is reduced from 9 percent to 7 percent, except the amount is 9 percent during a fiscal year or fiscal years of low employment growth as determined

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under the provision of the budget stabilization account and the two fiscal years following any years of low employment growth.

The definition of general state revenue is modified to include revenue applied to the support of the common schools.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.