SENATE BILL REPORT
SSJR 8215

As Passed Senate, April 8, 2011

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: Ways & Means: 2/22/11, 3/24/11 [DPS].
Passed Senate: 4/08/11, 49-0.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Joint Resolution No. 8215 be substituted therefor, and the substitute joint resolution do pass.
Signed by Senators Murray, Chair; Kilmer, Vice Chair, Capital Budget Chair; Zarelli, Ranking Minority Member; Parlette, Ranking Minority Member Capital; Baumgartner, Baxter, Conway, Fraser, Hatfield, Hewitt, Holmquist Newbry, Honeyford, Keiser, Kohl-Welles, Pflug, Pridemore, Rockefeller, Schoesler and Tom.

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 Money in the account may be withdrawn only under one of the following three conditions: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event that necessitates government action to protect life or public safety; then for that fiscal year, monies may be withdrawn and used for purposed in the Governor's declaration upon approval of a simple majority of both houses.

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.

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 Substitute Bill: The debt limit is phased down from 9-7 percent in half percent increments starting in Fiscal Year 2016 and completing in Fiscal Year 2022. The definition of general state revenue is modified to include property taxes starting in Fiscal Year 2016. The calculation period for determining average annual general revenue is extended to a ten year average starting in Fiscal Year 2016.

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.

Staff Summary of Public Testimony on Original Joint Resolution: PRO: Washington is a high debt state, in the top ten in several measures of debt. If we continue borrowing under current policy we will reach a point where 7 percent of general fund state will go towards debt service. The median among the 50 states is 3 percent. We need to balance the important goals of projects supported by debt with the long-term burden that debt service payments place on tax payers and programs supported by the general fund. We have some concerns about technical and administrative issues that a two-level debt limit would raise for the State Treasurer's Office. We appreciate the strength and transparency of a constitutional debt limit. We appreciate efforts to reduce future debt service payments. This needs to happen if we are ever going to restore some of the painful cuts to health and humans services. The constitutional amendment would add another fiscal tool to put the state on a more sustainable path. That kind of stability is good for business.

OTHER: The Legislature needs to look at debt but there may be better ways to save bond capacity derived from the good years to help us through the lean years. Some of the needs for bond funding are highest in the boom years, such as efforts to preserve farms and ranches. This will not actually save money for the bad times. Although it boosts capacity during the lean times, it will simply reduce debt overall. That will reduce construction funding.

Persons Testifying: PRO: Jim McIntire, WA State Treasurer; Laurie Lippold, Children's Home Society; Steve Mullin, WA Round Table.

OTHER: Stan Bowman, American Institute of Architects WA Council; Bill Robinson, The Nature Conservancy; Bill Clark, Trust for Public Land.