

FINAL BILL REPORT

ESJR 8221

Synopsis as Enacted

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

Sponsors: Senators Parlette, Kilmer, Benton, Murray, Brown, King, Hewitt, Becker and Morton; by request of Commission on State Debt.

Senate Committee on Ways & Means
House Committee on Capital Budget

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. General state revenues do not include property taxes, even though they are deposited in the general fund.

Legislation enacted in 2011 (SSB 5181; Chapter 46, 2011 Laws, 1st Special Session) established the Commission on State Debt and required it 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 the general fund expenditures; and
- maintain and enhance the state's credit rating.

The Commission on State Debt reported their findings and recommendations in December 2011. The recommendations included changes to the constitutional debt limit and to the statutory working debt limit.

Summary: The constitutional debt limit is reduced over time from 9.0 percent to 8.0 percent by July 1, 2034. It is set at 8.5 percent starting July 1, 2014; 8.25 percent starting July 1, 2016, and 8.0 percent starting July 1, 2034. The percentage debt limit is applied to the average of general state revenues for the previous six fiscal years instead of the current three-year average. The definition of general state revenues includes property taxes deposited in the General Fund.

Votes on Final Passage:

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.

Senate 41 7

First Special Session

Senate 41 7

Second Special Session

Senate 38 7

House 91 7

Effective: July 1, 2014, if ratified by the voters.