

SENATE BILL REPORT

SB 5138

As of February 8, 2013

Title: An act relating to the creation of a council on state debt.

Brief Description: Creating a council on state debt.

Sponsors: Senators Parlette and Hargrove; by request of State Treasurer.

Brief History:

Committee Activity: Ways & Means: 1/30/13.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Brian Sims (786-7431)

Background: Washington State issues debt to support various capital and transportation projects. The state uses different kinds of debt instruments, including general obligation bonds, revenue bonds, and certificates of participation. Bond rating agencies consider a variety of measures in determining a bond issue's and bond issuer's credit worthiness. One of the considerations is the issuer's overall level of debt per capita.

The State Finance Committee is composed of the Treasurer, the Governor and the Lieutenant Governor. The Legislature delegates authority for issuing debt to the State Finance Committee within the limitations set in law. The Finance Committee has issued two annual debt affordability studies, most recently in January 2012.

Summary of Bill: The State Debt Council (council) is established. Membership includes the Treasurer – nonvoting member, the Director of the Office of Financial Management, the Secretary of the Department of Transportation, and four legislators, one each from the two largest caucuses in the Senate and House. The council must advise and make recommendations to the Governor and Legislature on prudent levels and types of debt in order to protect the state's credit rating, maintain access to the credit markets, and to preserve future budgetary flexibility. The council approves their recommendations by an affirmative vote of at least four members. If they are unable to reach such a vote, the Treasurer's recommendations have the same use.

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.

The Governor's budget request must not rely on debt in excess of the recommendations from the council, and budget documents must display the debt service requirements resulting from the various uses of debt.

The State Treasurer's Office must publish an annual debt affordability study.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: Yes.

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

Staff Summary of Public Testimony: PRO: Last week the state successfully sold \$1.3 billion in refinancing and new general obligation bonds at historically low rates. The market likes Washington bonds, but at \$19 billion in outstanding debt, the demand is not unlimited. Washington is one of the top ten debt states in the country, and if we overload the market we may see the cost of our borrowing increase. The debt council that is established in this bill will help us better plan for how and when we use debt.

CON: We do not need another committee. One should do it. We need to include all information about debt so the citizens know what they are voting on.

Persons Testifying: PRO: Jim McIntire, State Treasurer.

CON: Paul Locke, citizen.