

SENATE BILL REPORT

SB 5138

As Reported by Senate Committee On:
Ways & Means, March 1, 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, 3/01/13 [DPS, DNP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5138 be substituted therefor, and the substitute bill do pass.

Signed by Senators Hill, Chair; Baumgartner, Vice Chair; Honeyford, Capital Budget Chair; Hargrove, Ranking Member; Nelson, Assistant Ranking Member; Bailey, Becker, Braun, Conway, Dammeier, Fraser, Hatfield, Hewitt, Keiser, Kohl-Welles, Murray, Padden, Parlette, Ranker, Rivers, Schoesler and Tom.

Minority Report: Do not pass.
Signed by Senator Hasegawa.

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 (Recommended Substitute): The State Finance Committee must advise and make recommendations to the Governor and Legislature on appropriate levels and types

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of debt in order to protect the state's credit rating, maintain access to the credit markets, and to preserve future budgetary flexibility. The Governor's budget request must not rely on debt in excess of the recommendations from the Finance Committee, 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.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute): Does not create a council on state debt, but instead gives the responsibilities specified in the bill to the State Finance Committee. Does not repeal the statutory working debt limit.

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 on Original Bill: 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.