

HOUSE BILL REPORT

HB 1298

As Reported by House Committee On:
Transportation

Title: An act relating to the authorization of bonds for the financing of transportation projects.

Brief Description: Authorizing bonds for the financing of transportation projects.

Sponsors: Representatives Clibborn and Fey; by request of Governor Inslee.

Brief History:

Committee Activity:

Transportation: 4/7/15, 4/14/15 [DPS].

Brief Summary of Substitute Bill

- Authorizes the issuance of up to \$4.285 billion of general obligation bonds for state transportation projects identified as Connecting Washington projects.
- Pledges the repayment of principal and interest both from fuel taxes and from certain vehicle-related fees, in addition to the full faith and credit of the state.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 17 members: Representatives Clibborn, Chair; Farrell, Vice Chair; Fey, Vice Chair; Moscoso, Vice Chair; Bergquist, Gregerson, Kochmar, McBride, Moeller, Morris, Ortiz-Self, Riccelli, Rodne, Sells, Takko, Tarleton and Zeiger.

Minority Report: Do not pass. Signed by 8 members: Representatives Orcutt, Ranking Minority Member; Hargrove, Assistant Ranking Minority Member; Harmsworth, Hayes, Pike, Shea, Wilson and Young.

Staff: Mark Matteson (786-7145)

Background:

Washington periodically issues general obligation (GO) bonds to fund transportation capital projects with a long-term expected life span. General obligation bonds pledge the full faith,

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.

credit, and taxing power of the state towards payment of debt service; historically, the legislation authorizing the issuance of transportation GO bonds has also pledged repayment first from motor fuel tax proceeds. Legislation authorizing the issuance of bonds requires a 60 percent majority vote in both the House of Representatives and the Senate. The proceeds of the bonds must then be appropriated for transportation projects.

The State Finance Committee (Committee) was created in 1921, and is composed of the Governor, the Lieutenant Governor, and the State Treasurer. The Committee authorizes the issuance and establishes the terms, conditions, and manner of the sale of all bonds, notes, and other debt for the state to finance capital projects in the state's capital and transportation budgets. Article VIII, Section 1(a) of the State Constitution and existing statutes limit the term of state GO bonds to 30 years.

Summary of Substitute Bill:

The Committee is authorized to issue \$4.285 billion in state general obligation bonds to finance state transportation projects identified as Connecting Washington projects in any transportation budget. The bonds are backed by the motor fuels taxes, vehicle-related fees imposed to license vehicles for highway purposes, and the full faith and credit of the state.

Substitute Bill Compared to Original Bill:

The substitute bill authorizes the issuance of up to \$4.285 billion in GO bonds for funding transportation projects identified as Connecting Washington projects in any transportation budget and requires that proceeds be deposited in the Connecting Washington Account in the Motor Vehicle Fund. The substitute bill requires that the debt service on the bonds be payable first by the proceeds of fuel taxes and of vehicle-related fees imposed to license vehicles for highway purposes. The substitute bill requires the State Treasurer to transfer sufficient funds from the Connecting Washington Account to the Highway Bond Retirement Fund for debt service purposes. The substitute bill makes technical changes regarding the sections that refer to fuel taxes to accommodate the implementation of the fuel tax statute changes that go into effect in 2016. The substitute bill contains an emergency clause and takes effect July 1, 2015, if Engrossed Substitute Senate Bill 5987 (ESSB 5987) (Transportation Revenue) is enacted by June 30, 2015.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect July 1, 2015, except for sections 7 through 9, relating to amending sections 4 through 6 of the bill to account for changes to the fuel tax statutes, which take effect July 1, 2016. However, the bill is contingent upon the enactment of ESSB 5987 (Transportation Revenue) by June 30, 2015.

Staff Summary of Public Testimony:

(In support) None.

(With concerns) The State Treasurer supports the transportation package but has a few concerns. The State Treasurer is concerned with the amount of leveraging that has occurred over the last several years under the Nickel and Transportation Partnership Act packages. He believes that, for the state to hold itself in good standing with the bond markets, no more than 50 percent of incoming revenues should be devoted to address borrowing requirements.

The State Treasurer worked with Senators and the Senate staff on the bill language, in order to broaden the pledge to include vehicle-related fees. If the bill is enacted, the State Treasurer suggests a new staff group that would update the bond model to incorporate this change.

(Opposed) None.

Persons Testifying: Scott Merriman, Office of the State Treasurer.

Persons Signed In To Testify But Not Testifying: None.