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## Capital Budget Committee

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### ESJR 8204

**Brief Description:** Amending the Constitution to allow the state to guarantee debt issued on behalf of a political subdivision for essential public infrastructure.

**Sponsors:** Senators Keiser, Honeyford and Conway.

#### Brief Summary of Engrossed Bill

- Requires the Secretary of State to submit to voters a constitutional amendment authorizing a pledge of the state's full faith, credit and taxing power to guarantee bonds issued by or on behalf of local governments to finance or refinance essential public infrastructure.

**Hearing Date:** 3/17/15

**Staff:** Meg VanSchoorl (786-7105).

#### Background:

Article VIII, section 1 authorizes the state to contract debt. It also establishes a state debt limit. The State Treasurer may not issue any bonds that would cause the debt service on any new and existing bonds to exceed this limit. Under a constitutional amendment approved by the voters in 2012, the state debt limit is currently 8.5 percent of the average of the prior six years' general state revenues, defined as all unrestricted state tax revenues. Debt is subject to this limit if it is either backed by the full faith and credit of the state or is payable from general state revenues.

In 1999 Washington voters passed an amendment to Article VIII, section 1 authorizing a pledge of the full faith, credit and taxing power of the state to guarantee voter-approved general obligation debt issued by school districts. The guarantee does not remove the debt obligation of the school district. This guarantee is not state debt so it does not affect calculation of debt subject to the debt limit. According to the Office of the State Treasurer, school bonds totaling over \$17.1 billion have been guaranteed by the School Bond Guarantee program subsequently

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established under chapter 39.98 RCW and to date, the state has not been required to pay debt service.

**Summary of Bill:**

At the next general election in Washington, the Secretary of State must submit to voters an amendment to Article VIII, section 1 of the state Constitution.

The proposed amendment authorizes the state to pledge its full faith, credit and taxing power to guarantee obligations incurred by or on behalf of local governments to finance or refinance essential public infrastructure.

The guarantee does not remove the local government's primary obligation and is not state debt.

The Legislature must detail in statute the means to enforce repayment of any state funds that are extended as a result of the guarantee.

**Appropriation:** None.

**Fiscal Note:** Not requested.