
Capital Budget Committee

HJR 4200

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

Sponsors: Representatives DeBolt and Haler.

Brief Summary of Bill

- Amends the state constitution to allow the state to pledge its full faith, credit, and taxing power to guarantee debt issued by or on behalf of political subdivisions of the state for essential public infrastructure.

Hearing Date: 2/14/17

Staff: Melissa Palmer (786-7388).

Background:

Article VIII, section 1 of the state Constitution authorizes the state to contract debt and establishes a debt limit. In general, 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 some cases, the state may pledge its full faith and credit without creating debt that is subject to the state debt limit. If an obligation is payable from certain dedicated revenues, such as motor vehicle license fees or excise taxes, or interest on the permanent common school fund, the state may back such an obligation with its full faith and credit, but the obligation is not subject to the debt limit.

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.

Amendments to the state constitution require a two-thirds approval by each house of the legislature, plus ratification by the voters.

Summary of Bill:

The state may pledge its full faith, credit, and taxing power to guarantee debt issued by or on behalf of political subdivisions for essential public infrastructure when such a guarantee is determined by the State Treasurer to reduce the cost of financing. Any guarantee does not remove the debt obligation of the local government and is not state debt.

The Secretary of State must submit the proposed constitutional amendment to the voters at the next general election.

Appropriation: None.

Fiscal Note: Available.