

SENATE BILL REPORT

SB 6123

As of January 28, 2018

Title: An act relating to prohibiting the use of state bond proceeds for state employee compensation.

Brief Description: Prohibiting the use of state bond proceeds for state employee compensation.

Sponsors: Senators Honeyford and Keiser.

Brief History:

Committee Activity: Ways & Means: 1/29/18.

<p>Brief Summary of Bill</p> <ul style="list-style-type: none">• Prohibits the use of state bond proceeds for state employee compensation.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Richard Ramsey (786-7412)

Background: Proceeds from the sale of tax exempt general obligation bonds are deposited in accounts subject to appropriation in the Capital Budget.

A number of state employees are funded in various ways through the capital budget. Staff in the Office of the Superintendent of Public Instruction, Department of Enterprise Services and the Office of Financial Management (OFM) are funded with a mix of cash and bond proceeds through direct appropriation in the Capital Budget for planning and budgeting activities. Project management staff in the Recreation and Conservation Office and the Department of Commerce are funded through a percentage of appropriations. Staff in several agencies are funded through their actual work on capital projects.

According to the state's bond counsel, federal tax rules allow certain employee costs to be capitalized and financed with tax-exempt bonds as capital expenditures, such as:

- direct labor costs identified or associated with construction of a project; and
- indirect costs properly allocable to construction of a project, such as employee costs incurred for permitting, design, engineering, public bidding, contracting, and construction management.

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.

According to the state accounting records for the 2015-17 fiscal biennium, 641 full-time equivalent positions were allotted to state agencies and higher education institutions for capital projects.

According to the OFM Capital Budget instructions, allowable uses of tax-exempt bond proceeds include the acquisition, construction of capital assets, and include:

- project administrative costs for tasks directly related to a project;
- project management fees for design, land use application, environmental and hazardous material assessments and building code plan review;
- staff costs for the time and expenses directly related to coordinating and delivering a project; and
- tasks associated with the support of project management operations for multiple projects.

Summary of Bill: General obligation, tax-exempt bond proceeds appropriated in the Capital Budget are prohibited from the payment of state employee salaries and benefits. This does not apply to bond proceeds appropriated in the transportation budget.

Capital Budget accounts, to which this prohibition applies include:

- State Building Construction Account;
- Columbia River Basin Water Development Supply Account;
- Outdoor Recreation Account;
- The Farm and Forest Account;
- The Riparian Protection Account; and
- The Habitat Conservation Account.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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