

HOUSE BILL REPORT

HB 1148

As Reported by House Committee On:
Capital Budget

Title: An act relating to state general obligation bonds and related accounts.

Brief Description: Concerning state general obligation bonds and related accounts.

Sponsors: Representatives Tharinger, Callan and Wylie; by request of Office of Financial Management.

Brief History:

Committee Activity:

Capital Budget: 1/12/23, 3/30/23 [DPS].

Brief Summary of Substitute Bill

- Authorizes the State Finance Committee to issue up to \$4.186 billion in general obligation bonds to finance capital projects.
- Expires three unissued remaining bond authorizations.
- Authorizes a one-time adjustment of \$400 million to debt limit bond capacity to reflect the difference between prior bond authorizations remaining and the amount of appropriation authority remaining.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 29 members: Representatives Tharinger, Chair; Callan, Vice Chair; Hackney, Vice Chair; Steele, Ranking Minority Member; Abbarno, Assistant Ranking Minority Member; Sandlin, Assistant Ranking Minority Member; Alvarado, Bateman, Cheney, Christian, Couture, Dye, Eslick, Farivar, Fosse, Kloba, Leavitt, Maycumber, McClintock, McEntire, Morgan, Mosbrucker, Orwall, Peterson, Reed, Rule, Shavers, Stearns and Waters.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Staff: Kelci Karl-Robinson (786-7116).

Background:

The State Finance Committee (SFC), composed of the Governor, the Lieutenant Governor, and the State Treasurer, is responsible for supervising and controlling the issuance of all state bonds. The SFC periodically issues general obligation bonds to finance projects authorized in the capital budget. No bonds may be authorized for sale without prior legislative appropriation of the net proceeds.

General obligation bonds pledge the full faith, credit, and taxing power of the state towards payment of debt service. Funding to pay for principal and interest on those bonds is appropriated from the State General Fund in the operating budget. When debt service payments are due, the State Treasurer withdraws the amounts necessary to make the payments and deposits them into bond retirement accounts.

A bond bill authorizes the SFC to issue general obligation bonds up to a specific amount to finance many of the projects in the capital budget. It specifies the amount of bonds to be issued, the account or accounts into which bond sale proceeds are to be deposited, and identifies the sources and timing of debt service payments. Legislation authorizing the issuance of bonds requires a 60 percent majority vote in both the House of Representatives and the Senate.

Summary of Substitute Bill:

The SFC is authorized to issue up to \$4.186 billion in state general obligation bonds to finance projects in the 2021-23, 2023-25, and future Capital Budgets and to pay expenses incurred in the issuance and sale of the bonds.

Proceeds from the sale of the bonds must be deposited into the State Building Construction Account. The State Treasurer is authorized to transfer bond proceeds into the State Taxable Construction Account and to other accounts in order to support authorized expenditures from those accounts. The State Treasurer is required to withdraw from general state revenues the amounts necessary to make the principal and interest payments on the bonds and must deposit these amounts into the Debt Limit General Fund Bond Retirement Account.

The remaining unissued bond authorizations from the Chehalis Flood Hazard, authorized in 2008; the Skills Center facilities, authorized in 2008; and the School Construction Assistance Program, authorized in 2009, will expire on June 30, 2025.

The difference between the amount of bonds authorized and the amount of appropriations actually expended had not been reflected in the calculation of available debt capacity under

the state debt limit, and has resulted in an understatement of available debt capacity to the state. The Legislature intends to address this understatement by making a one-time adjustment of \$400 million.

Substitute Bill Compared to Original Bill:

The bond authorization level is updated to reflect the March 2023 forecast. The separate authorization of \$895 million to finance the construction of a new forensic hospital at Western State Hospital is removed. The expiration date for the three unissued bond authorizations is changed from 2024 to 2025. A one-time adjustment of \$400 million to debt limit bond capacity is authorized to reflect the difference between prior bond authorizations remaining and the amount of appropriation authority remaining.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) None.

(Opposed) None.

Persons Testifying: None.

Persons Signed In To Testify But Not Testifying: None.