

HOUSE BILL REPORT

SSB 6605

As Reported By House Committee On:

Capital Budget

Title: An act relating to general obligation bond debt service payments from the community and technical college capital projects account.

Brief Description: Changing provisions relating to bond debt service payments from the community and technical college capital projects account.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Loveland, West, Rinehart and Haugen).

Brief History:

Committee Activity:

Capital Budget: 2/20/96, 2/23/96 [DPA].

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass as amended. Signed by 14 members: Representatives Sehlin, Chairman; Ogden, Ranking Minority Member; Chopp, Assistant Ranking Minority Member; Costa; Hankins; Koster; Mitchell; Pennington; Regala; Romero; Silver; D. Sommers; L. Thomas and Valle.

Staff: Jennifer Galvin (786-7349).

Background: Students at public institutions of higher education pay building fees as a part of their tuition and fees. Beginning with the academic year 1995-96, building fees are calculated by the Higher Education Coordinating Board as a percentage of total tuition fees. The fees are used to finance capital construction projects either through direct expenditures of available funds or by pledging the on-going revenue as payment for bond indebtedness.

The Legislature reduced community college enrollment in 1981. Building fees then failed to meet principal and interest payments on the bonds. The state general fund was provided as a loan to meet payment obligations with statutory intention that the general fund be repaid when building fee revenue was sufficient.

Community college building fee revenue has recently increased for two reasons: first, there are more students in the system, creating additional building fee revenue; and second, the building fee charge is now a percentage of tuition, which is increasing. As currently forecasted, building fee revenue will reimburse the general fund by approximately 2003.

The 1995-97 capital budget directs that reimbursement to the general fund from the community college capital projects account occur only after the debt service payment has been made, and only to the extent that funds are actually available in the community college account.

Summary of Amended Bill: The requirement that building fees repay the general fund for the principal and interest of general obligation bonds issued for community and technical college purposes is repealed. The 1995-97 capital budget directive is repealed.

Amended Bill Compared to Substitute Bill: The amended bill will take effect at the beginning of the 1997-99 biennium instead of 90 days after session adjournment.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Amended Bill: July 1, 1997.

Testimony For: This bill is a one-time forgiveness measure. Community and technical colleges will be able to use building fees to fund capital projects instead of selling additional bonds. The capital committee will continue to direct the use of building fees.

Testimony Against: None.

Testified: Senator Loveland, prime sponsor (pro); and Bill Julius, State Board for Community and Technical Colleges (pro).