

HOUSE BILL ANALYSIS

PSHB 1166

Brief Description: State General Obligation Bonds.

Sponsors: Representatives Murray, Mitchell, Hankins and O'Brien.

Brief Summary of Proposed Substitute Bill

· Authorizes the issuance of general obligation bonds to finance the 1999-01 capital budget.

Background: The state of Washington periodically issues general obligation bonds to finance projects authorized in the capital and transportation budgets. General obligation bonds pledge the full faith and credit and taxing power of the state towards payment of debt service. Legislation authorizing the issuance of bonds requires a 60 percent majority vote in both the House of Representatives and the Senate.

Bond authorization legislation generally specifies the account or accounts into which bond sale proceeds are deposited, as well as the source of debt service payments. When debt service payments are due, the State Treasurer withdraws the amounts necessary to make the payments from the state general fund and deposits them into the bond retirement funds. For reimbursable bonds, an equal amount is then transferred to the bond retirement account from the source of the reimbursement.

The State Finance Committee, composed of the Governor, the Lieutenant Governor, and the State Treasurer, is responsible for supervising and controlling the issuance of all state bonds.

Summary of Proposed Substitute Bill: The State Finance Committee is authorized to issue \$1.2 billion of state general obligation bonds to finance projects appropriated in the 1999-01 capital and operating budgets. The bill specifies that the authority is only for appropriations made in the 1999-01 biennium. The proceeds of the sale of the bonds are deposited into three accounts: \$950 million is deposited into the state building construction account; \$22.5 million is deposited into the outdoor recreation account (for the Washington Wildlife and Recreation Program); \$22.5 million is deposited into the habitat conservation account (for the Washington Wildlife and Recreation Program); \$36.3 million is deposited into the state higher education construction account (for the Washington State University Health Science Building); and \$136.8 million is deposited into the higher education construction account (for the University of Washington law school, Suzzallo Library and Medical Center).

The State Treasurer is required to withdraw from state general revenues the amounts necessary to make the principal and interest payments on the bonds and to deposit these amounts into the bond retirement account. However, for bond proceeds deposited into the higher education construction accounts, the University of Washington and Washington State University are required to transfer the amounts necessary from nonappropriated local funds to make the principal and interest payments on the bonds.

Current law is amended to allow the state higher education construction account and the higher education construction account to retain interest earnings.

Substitute Bill compared to Original Bill: The total bond authorization is increased by \$117 million to include the additional reimbursable bonds for the University of Washington. The bonds for the Washington State University Health Science Building are included in the general bond authority for the 1999-01 biennium rather than a separate bond authorization. The \$40 million contingent bond authorization for school construction to be used in the event revenues for school construction are insufficient to support the appropriation level is removed. The amendment to the 1997 bond bill increasing the authorization by \$42 million for the outdoor recreation account and the habitat conservation account is removed.

Appropriation: None

Fiscal Note: Not requested

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