

# SENATE BILL REPORT

## SB 6818

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As Passed Senate, February 26, 2002

**Title:** An act relating to state general obligation bonds.

**Brief Description:** Concerning the issuance of state general obligation bonds.

**Sponsors:** Senators Fairley and Zarelli.

**Brief History:**

**Committee Activity:** Ways & Means: 2/20/02, 2/21/02 [DP].

Passed Senate: 2/26/02, 48-1.

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators Brown, Chair; Regala, Vice Chair; Fairley, Vice Chair; Fraser, Hewitt, Honeyford, Kohl-Welles, Long, Rasmussen, Rossi, Sheahan, B. Sheldon, Snyder, Spanel, Thibaudeau, Winsley and Zarelli.

**Staff:** David Schumacher (786-7474)

**Background:** Washington State is on a biennial budget cycle. The Legislature authorizes expenditures for capital needs in the capital budget for a two-year period, and authorizes bond sales through passage of a Bond Bill associated with the capital budget. The current capital budget covers the period from July 1, 2001, through June 30, 2003.

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. 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.

In 1979, the Legislature enacted a statutory 7 percent debt limit in addition to the existing constitutional 9 percent debt limit. Under this statutory limitation, debt service may not exceed 7 percent of the three year average of general state revenues. There exist various statutory exceptions to this limit.

**Summary of Bill:** The State Finance Committee is authorized to issue up to \$175 million of state general obligation bonds to finance projects appropriated in the 2001-03 supplemental capital budget. The authority is only for appropriations made in the 2001-03 biennium.

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.

The state statutory debt limit is amended to allow debt limit exemptions for bond payments for voter approved debt and for bond payments incurred for the 2002 supplemental capital budget.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** None.

**Testimony Against:** None.

**Testified:** No one.