

# FINAL BILL REPORT

## HB 2170

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Synopsis as Enacted

**Brief Description:** Concerning proceeds from the real estate excise tax.

**Sponsors:** By Representatives Springer, Dunshee, Clibborn and Morrell.

**House Committee on Capital Budget**

**Senate Committee on Ways & Means**

### **Background:**

Washington's indebtedness is limited by both a statutory and a constitutional debt limit. The State Treasurer may not issue any bonds that would cause the debt service on the new, plus existing, bonds to exceed 7 percent of general state revenues averaged over three years in the case of the statutory limit and 9 percent under the constitutional limit.

For purposes of the debt limit, "general state revenues" is defined in the State Constitution and by statute. General state revenues traditionally has been defined to be more limited than revenue going to the State General Fund; revenue identified in statute as being for specific purposes or going into dedicated accounts typically has not been considered general state revenues. The same definition is used for both the constitutional and statutory debt limits except that the statutory definition includes the portion of the Real Estate Excise Tax (REET) deposited in the State General Fund for the support of common schools, lottery revenue deposited in the Education Construction Account, and the state portion of the property tax, while the constitutional definition likely does not. The lottery revenue was added to the statutory definition of general state revenues by Initiative 728, the REET was added in the 2002 bond bill, and the state portion of the property tax was added in 2003 legislation that redefined general state revenues.

Bond capacity for a given biennium is the amount of projects that may be authorized by the Legislature for which the State Treasurer may issue bonds without exceeding the debt limit in the future, given forecasted variables and a stable capital budget level in future biennia. Interest rates, revenue, and other factors affect bond capacity.

### **Summary:**

The dedication of the Real Estate Excise Tax deposited in the State General Fund to common schools is removed. (This increases the amount of general state revenues used to calculate the 9 percent constitutional debt limit, which in turn increases bond capacity under the constitutional limit.)

### **Votes on Final Passage:**

House 66 31  
Senate 32 16

**Effective:** July 24, 2005