

HOUSE BILL REPORT

ESB 5127

As Passed House:
April 11, 2012

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

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

Sponsors: Senators Kilmer, Parlette, Murray and Zarelli; by request of Governor Gregoire.

Brief History:

Committee Activity:

None.

Second Special Session

Floor Activity:

Passed House: 4/11/12, 80-18.

Brief Summary of Engrossed Bill

- Appropriates \$500.5 million in new state general obligation bonds, \$5 million in Chehalis River Basin bonds, and \$4.95 million in Columbia River Basin Water Supply bonds.
- Authorizes the State Finance Committee to issue general obligation bonds to support the new bond appropriations.

Staff: Susan Howson (786-7142).

Background:

Capital Budget.

Washington operates on a biennial budget cycle. The Legislature authorizes expenditures for capital needs in the state omnibus capital appropriations act (capital budget) for a two-year period and authorizes bond sales through passage of a bond bill associated with the capital budget to fund a portion of these expenditures. Approximately half of the capital budget is financed by these state-issued general obligation bonds, and the balance is funded by dedicated accounts, trust revenue, and federal funding sources. The primary two-year budget

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is passed in the odd-numbered years, and a supplemental budget making adjustments to the two-year budget often is passed during the even-numbered years. The current capital budget covers the period from July 1, 2011, through June 30, 2013.

The capital budget includes appropriations for the acquisition, construction, and repair of capital assets such as state office buildings, prisons, juvenile rehabilitation centers, residential habilitation centers, mental health facilities, military readiness centers, and higher education facilities. The capital budget also funds a variety of environmental and natural resource projects, parks and recreational facilities, public K-12 school construction, and grant and loan programs that support housing, public infrastructure, community service facilities, and art and historical projects.

State Bonds.

Washington periodically issues general obligation bonds to finance projects authorized in the capital and transportation budgets. General obligation bonds pledge the full faith, credit, and taxing power of the state towards payment of debt service. Legislation authorizing the issuance of general obligation 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 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.

Washington's indebtedness is limited by Article VIII, section 1 of the state Constitution. The State Treasurer may not issue any debt that would cause the debt service (principal and interest payments) on any new bonds, plus existing bonds, to exceed 9 percent of the average of the three prior years' general state revenues. For purposes of the debt limit, debt is defined as borrowed money backed either by the full faith and credit of the state or by general state revenues. Generally speaking, the state Constitution defines general state revenues as all state tax revenues other than revenues from taxes levied for specific purposes.

Summary of Bill:

The capital budget appropriates \$510.4 million in state general obligation bonds to support projects in the 2011 Supplemental Capital Budget. This includes \$5 million in Chehalis River Basin bonds and \$4.95 million in Columbia River Basin Water Supply bonds.

The State Finance Committee is authorized to issue state general obligation bonds to finance \$500.5 million in projects in the 2011 Supplemental Capital Budget. 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.

Appropriation: The sum of \$510.4 million in new appropriations.

Fiscal Note: Not requested.

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