

SENATE BILL REPORT

HB 2170

As Reported By Senate Committee On:
Ways & Means, March 23, 2005

Title: An act relating to including a portion of the real estate excise tax as general state revenue.

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

Sponsors: Representatives Springer, Dunshee, Clibborn and Morrell.

Brief History: Passed House: 3/09/05, 66-31.

Committee Activity: Ways & Means: 3/22/05, 3/23/05 [DP, DNP, w/oRec].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Doumit, Vice Chair; Fraser, Vice Chair; Fairley, Pridemore, Rasmussen, Regala, Rockefeller and Thibaudeau.

Minority Report: Do not pass.

Signed by Senators Zarelli, Ranking Minority Member; Hewitt, Parlette, Pflug and Schoesler.

Minority Report: That it be referred without recommendation.

Signed by Senators Brandland and Roach.

Staff: Brian Sims (786-7431)

Background: Washington's indebtedness is limited by a statutory and constitutional debt limit. The State Treasurer cannot 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) going to the State General Fund for the support of common schools, lottery revenue going to the Education Construction Account, and the state portion of the property tax, while the constitutional definition likely does not. The lottery 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 Chapter 9, Laws of 2003, 1st Special Session.

Bond capacity for a given biennium is the amount of projects that can be authorized by the Legislature for which the State Treasurer can 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 of Bill: The dedication of the Real Estate Excise Tax going to 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.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: As traditional sources of school revenue are declining, the demand for school facilities construction and improvements are increasing. The funding formula for providing matching dollars to local school districts is outdated and many school districts throughout the state no longer qualify for state matching funds, thus new school construction and improvements must be funded entirely by local dollars. Enabling the state to increase the debt capacity will allow for the issuance of more school construction bonds.

Testimony Against: None.

Who Testified: Representative Springer, prime sponsor.