

SENATE BILL REPORT

SJR 8206

As Passed Senate, March 10, 1999

Brief Description: Guaranteeing school district debt.

Sponsors: Senators Bauer, McCaslin, Snyder, Loveland and McAuliffe; by request of State Treasurer.

Brief History:

Committee Activity: Education: 2/3/99, 2/17/99 [DP-WM, DNP].

Ways & Means: 2/23/99, 2/25/99 [DP].

Passed Senate, 3/10/99, 38-10.

SENATE COMMITTEE ON EDUCATION

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators McAuliffe, Chair; Eide, Vice Chair; Bauer, Benton, Brown, Goings, Kohl-Welles, Rasmussen and Sellar.

Minority Report: Do not pass.

Signed by Senator Hochstatter.

Staff: William Bridges (786-7424)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Loveland, Chair; Brown, Vice Chair; Fairley, Fraser, Honeyford, Kline, Kohl-Welles, Long, McDonald, Rasmussen, Rossi, B. Sheldon, Snyder, Spanel, Thibaudeau, West and Zarelli.

Staff: Michael Groesch (786-7434)

Background: Article VIII, Section 1, of the state Constitution permits the state to contract debt, but limits the total amount of state debt to the principal and interest payments in any year that will not exceed 9 percent of the average of the prior three years of general state revenues. Certain categories of debt are excluded from the 9 percent limit, including county and municipal debt.

Article VIII, Section 1, also allows the state to pledge its full faith and credit to guarantee payment on any debt to be paid from revenues from the motor vehicle license fees, motor vehicle fuel tax, and interest on the permanent common school fund.

To amend the Constitution, a bill must be passed by a two-thirds majority of both houses and approved by a majority of the people.

Summary of Bill: The state Constitution is amended to authorize the state to pledge its full faith and credit to guarantee payment on school district general obligation debt. Any obligation or payment on guaranteed school district debt is exempt from the constitutional 9 percent debt limit.

Appropriation: None.

Fiscal Note: Available.

Testimony For: Eighty percent of Washington school districts purchase bond insurance. The companies that insure this debt are able to make significant amounts of money with very little risk. If the state were to guarantee this debt, districts could avoid purchasing the insurance. Assuming \$600 million in school debt, the cumulative five-year savings to districts would be around \$1.7 million. Over ten years, the cumulative savings would be around \$6 million. Washington should join the 23 other states that guarantee school debt. There is very little risk to the state because no Washington school district has ever defaulted. A constitutional amendment and new statutory section are required to create and administer the guarantee program. The State Treasurer has worked with school officials and the top bond lawyers in the state to create the guarantee program.

Testimony Against: None.

Testified: PRO: Mike Currie, Office of the Superintendent of Public Instruction; Michael Murphy, State Treasurer.

House Amendment(s): Technical amendments clarifying that school-district debt guaranteed by the state is not state debt, that the guarantee does not remove the debt obligation of the school district, and that the guarantee applies to voter-approved general obligation debt.