

HOUSE BILL REPORT

HB 1288

As Reported by House Committee On:
Capital Budget

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

Brief Description: Issuing general obligation bonds.

Sponsors: Representatives Dunshee and Alexander; by request of Office of Financial Management.

Brief History:

Committee Activity:

Capital Budget: 4/16/03, 4/21/03 [DPS].

Brief Summary of Substitute Bill

- Authorizes issuance of general obligation bonds to support appropriations in the 2003-05 Capital Budget. A separate bond authorization is provided for \$1.05 billion for education projects over roughly three biennia.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives Dunshee, Chair; Hunt, Vice Chair; Blake, Chase, Flannigan, Hankins, Kirby, Lantz, McIntire, Morrell, Murray, O'Brien, Simpson and Veloria.

Minority Report: Do not pass. Signed by 11 members: Representatives Alexander, Ranking Minority Member; Priest, Assistant Ranking Minority Member; Armstrong, Benson, Bush, Hinkle, Mastin, Newhouse, Orcutt, Schoesler and Woods.

Staff: Charlie Gavigan (786-7340).

Background:

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. For reimbursable bonds, an equal amount is then transferred to the Bond Retirement Account from the source of the reimbursement.

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.

Summary of Substitute Bill:

The State Finance Committee is authorized to issue state general obligation bonds to finance \$950 million in projects appropriated in the 2003-05 Capital Budget. A separate bond authorization is provided for \$1.05 billion in general obligation bonds to support education projects for common schools and higher education institutions over approximately three biennia; \$350 million of this is appropriated for the 2003-05 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.

Substitute Bill Compared to Original Bill:

The substitute bill makes changes to the Governor's proposed bond authorization bill.

Appropriation: None.

Fiscal Note: Not Requested.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: This bond authorization bill is necessary to finance the 2003-2005 Capital Budget; about half of the budget proposal is financed through bonds.

Testimony Against: None.

Testified: Terry Teale, Council of Presidents; and Bill Robinson, The Nature Conservancy.