Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Capital Budget Committee

HB 1908

Brief Description: Enacting the building Washington's future act.

Sponsors: Representatives Dunshee, Cox, Sommers, Kenney, Lantz, O'Brien, Jarrett, McIntire, Cody, Darneille, Moeller, Conway, Edwards, Simpson, Hudgins, Santos, Morrell and McDermott; by request of Governor Locke.

Brief Summary of Bill

- Authorizes $1.7 billion in bonds for higher education facilities. This is in addition to the amount higher education institutions expect to receive in the base capital budget.

Hearing Date: 2/3/03

Staff: Charlie Gavigan (786-7340).

Background:

The state adopts a biennial capital budget each odd-numbered year, appropriating moneys for a variety of capital projects and programs. These appropriations are funded through general obligation bonds, trust revenues, federal funds, and other revenue such as dedicated taxes and fees. General obligation bonds pledge the full faith and credit and taxing power of the state towards payment of the debt service; the debt service is paid from the general fund through the biennial operating budget. In addition to the bond bill that supports a particular capital budget, bond authorization legislation sometimes is adopted by the Legislature or voters for a particular purpose not directly related to financing a biennial capital budget. One example of this is bond authorizations for water-related facilities or projects. While this legislation authorizes the bonds, the bonds cannot be issued until the legislature appropriates the proceeds, generally in the biennial capital budget.

There is both a statutory and constitutional debt limit that restricts the ability of the state to issue bonds. The treasurer cannot issue bonds that would cause the maximum debt service on the new plus existing bonds to exceed 7 percent (statutory debt limit) or 9 percent (constitutional debt limit) of general state revenues. Generally, the state is at the 7 percent statutory limit for a bond-financed capital budget that grows slightly each biennium under current interest rate and revenue forecasts and other factors. A rough estimate of the bond capacity available under the 9 percent constitutional limit, ignoring the statutory limit for

illustration purposes, is an increase of $350-400 million in the base and growing that slightly in future biennia.

The 6 four-year higher education institutions and 34 community and technical colleges receive a portion of the capital budget each biennium. This is illustrated as follows:

Higher Education Portion of Capital Budget Appropriations

	Debt Limit Bonds	Total Budget
1989-91 biennium	34%	22%
1991-93 biennium	31%	23%
1993-95 biennium	55%	35%
1995-97 biennium	42%	25%
1997-99 biennium	48%	29%
1999-01 biennium	54%	32%
2001-03 biennium	45%	27%

Summary of Bill:

The State Finance Committee is authorized to issue $1.717 billion of state general obligation bonds to finance higher education capital projects. The bonds are intended to be issued over 5 biennia, beginning in 2003-05, an average of $340 million per biennium. The act states this is intended to be in addition to the historical funding levels for higher education in the capital budget, defined as 48 percent of all bond-based appropriations and appropriations from the education construction account. Of this amount, 51 percent is intended to go to the 4-year institutions while 49 percent is intended to go to community and technical colleges.

The $1.7 billion in bond proceeds, when appropriated by the Legislature, are to be deposited in four new sub-accounts of the Higher Education Construction Account as follows: $772.7 million for community and technical colleges; $319 million for the branch campuses; $203 million for regional universities; and $422.5 million for the research universities.

A variety of general and specific projects are listed to be funded with the proceeds of the bond authorization, subject to legislative appropriation.

Appropriation: None.

Fiscal Note: Not Requested.

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