

HOUSE BILL REPORT

SSB 5537

As Reported by House Committee On: Capital Budget

Title: An act relating to having one debt limit by eliminating the statutory debt limit.

Brief Description: Eliminating the statutory debt limit.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senator Fraser; by request of Office of Financial Management).

Brief History:

Committee Activity:

Capital Budget: 3/19/09 [DP].

<h4>Brief Summary of Substitute Bill</h4>
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- Repeals the 7 percent statutory debt limit.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass. Signed by 8 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Blake, Chase, Jacks, Maxwell, Orwall and White.

Minority Report: Do not pass. Signed by 7 members: Representatives Warnick, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Anderson, Grant-Herriot, Hope, McCune and Smith.

Staff: Nona Snell (786-7153)

Background:

The Washington Constitution and state statute allow for the issuance of general obligation bonds to finance projects included in the capital and transportation budgets. General obligation bonds pledge the full faith and credit and taxing power of the state toward 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. The State Finance

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Committee, which comprises the Governor, Lieutenant Governor, and the State Treasurer, is responsible for the issuance of all state bonds.

With certain exceptions, the amount of state general obligation debt that may be incurred is limited by Constitutional and statutory restrictions. Both of these provisions restrict the amount of general state revenues that may be allocated to pay for outstanding general obligation debt. The Constitutional debt limit restricts debt service in any year from exceeding 9 percent of general state revenues averaged over the previous three years. The statutory debt limit is 7 percent of general state revenues. Despite their general similarity, the statutory and Constitutional debt limits contain a number of different inclusions and exclusions in calculating state debt and general state revenues.

Debt excluded from the statutory debt limit but not from the Constitutional debt limit include: (1) reimbursement bonds; (2) stadium bonds; (3) debt issued to finance improvements to the State Capitol East Plaza Garage; (4) debt issued to finance rehabilitation of the Legislative Building; and (5) debt issued to finance multimodal transportation projects.

As determined by the State Treasurer, in the 2009-11 biennium, the Constitutional debt limitation is \$1.89 billion. For the same year, the statutory debt limitation is \$1.63 billion.

Summary of Bill:

The bill repeals the existing statutory debt limit and strikes references to it throughout the Revised Code of Washington. The bill adds a new section that establishes a new statutory debt limit that is the same as the Constitutional debt limit, thus creating a single debt limit for the state.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2009.

Staff Summary of Public Testimony:

(In support) Transparency and simplicity are achieved by aligning the 7 percent statutory and the 9 percent Constitutional debt limits. Presently, the State Treasurer must monitor and explain the two debt limits.

(Opposed) None.

Persons Testifying: Senator Fraser, prime sponsor.

Persons Signed In To Testify But Not Testifying: None.