

SENATE BILL REPORT

SB 5537

As Reported by Senate Committee On:
Ways & Means, February 26, 2009

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

Brief Description: Eliminating the statutory debt limit.

Sponsors: Senator Fraser; by request of Office of Financial Management.

Brief History:

Committee Activity: Ways & Means: 2/02/09, 2/26/09 [DPS, DNP, w/oRec].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5537 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Tom, Vice Chair, Operating Budget; Fairley, Hobbs, Keiser, Kline, Kohl-Welles, McDermott, Murray, Pridemore, Regala and Rockefeller.

Minority Report: Do not pass.

Signed by Senator Carrell.

Minority Report: That it be referred without recommendation.

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

Staff: Brian Sims (786-7431)

Background: The level of debt incurred by the State of Washington is constrained by constitutional and statutory limitations on annual debt service payments. The state constitution limits aggregate debt so that annual debt service payments for general obligation bonds do not exceed 9 percent of the average annual amount of general revenue received in the prior three fiscal years. State law limits debt so that debt service payments do not exceed 7 percent of the three-year average amount of revenue that includes general revenue plus property tax and lottery receipts. Property tax and lottery receipts do not meet the definition of general revenue under the constitution because they are designated for specific purposes.

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.

Because of the different definitions of revenue, the 9 percent constitutional limit currently allows for less borrowing than the 7 percent statutory debt limit.

Summary of Bill (Recommended Substitute): The bill repeals the existing statutory debt limit and strikes references to it throughout the RCWs. 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. Depending on the assumptions made about future bond budgets, the repeal of the existing statutory debt limit might or might not affect the potential level of borrowing. Currently, a portion of outstanding bonds are exempt from the existing statutory debt limit. If those exempt bonds are retired without being replaced by new exempt bonds, then the existing statutory debt limit would be more constraining than the constitutional debt limit. If the existing ratio of exempt to nonexempt bonds continue into the future, then the constitutional debt limit is more constraining than the existing statutory debt limit.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute): The substitute makes technical changes recommended by the State Treasurer's Office.

Appropriation: None.

Fiscal Note: Available. No Fiscal Impact.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: None.

Persons Testifying: No one.