

SENATE BILL REPORT

SB 5898

As Passed Senate, February 9, 2022

Title: An act relating to the use of vehicle-related fees to fulfill certain state general obligation bonds.

Brief Description: Concerning the use of vehicle-related fees to fulfill certain state general obligation bonds.

Sponsors: Senators Lias, King and Saldaña; by request of State Treasurer.

Brief History:

Committee Activity: Transportation: 1/24/22, 2/03/22 [DP].

Floor Activity: Passed Senate: 2/9/22, 47-0.

Brief Summary of Bill

- Supplements existing highway bond authorizations with an additional pledge of vehicle-related fees, for future bond issuances.

SENATE COMMITTEE ON TRANSPORTATION

Majority Report: Do pass.

Signed by Senators Lias, Chair; Saldaña, Vice Chair; King, Ranking Member; Cleveland, Das, Fortunato, Hawkins, Holy, Lovelett, Lovick, Nguyen, Nobles, Padden, Randall, Sheldon, Wilson, C. and Wilson, J.

Staff: Hayley Gamble (786-7452)

Background: Transportation Bonds. Bonds are often issued to fund transportation capital projects that have a long-term expected life span. Transportation bonds are typically general obligation bonds and pledge the full faith and credit of the state, but also first pledge the Motor Vehicle Fuel Tax (MVFT). Pledging the MVFT, and vehicle-related fees,

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allows transportation bonds to be excluded from the state debt limit, so long as there are sufficient MVFT and vehicle related fees to cover the outstanding debt.

Legislation accompanying the last three MVFT increases, in 2003, 2005 and 2015, provided bonding authority to bond the proceeds of the MVFT. Of these three significant bond issuances, only the more recent 2015 "Connecting Washington" bond authorization pledges both the MVFT and vehicle-related fees. The 2019 general obligation bond authorization for Interstate 405 and Puget Sound Gateway pledges tolls, the MVFT, and vehicle-related fees.

Washington State typically issues 25- year bonds. Bonding authority must be authorized by 60 percent of the Legislature and the proceeds from the sale of the bonds must be appropriated for eligible transportation projects

Refinancing Bonds. Periodically the Office of the State Treasurer (OST) will refinance past bond issuances to take advantage of better market conditions. This is also known as refunding bonds.

Vehicle-related fees are defined in the two bond authorizations that pledge them as vehicle-related fees imposed by law that constitute license fees for motor vehicles to be used for highway purposes. An interagency work group convened in 2016 by the OST reviewed license fees for motor vehicles imposed under law to determine which would be pledged to bonds in addition to the MVFT. These fees are listed in the transportation revenue forecast, which is updated four times a year.

Summary of Bill: The Legislature intends to supplement existing highway bond authorizations with an additional pledge of vehicle-related fees.

Ten general obligation bond authorizations that have remaining unissued amounts and currently pledge the MVFT are amended to also pledge vehicle-related fees when new bonds are issued.

Bond authorizations covered under this bill include the 2003 and 2005 authorizations that accompanied MVFT increases, State Route 520 bonds, Special Category C bonds, and other past authorizations.

Vehicle related fees are defined for the purpose of this bill as fees imposed that constitute license fees for motor vehicles required to be used for highway purposes.

The additional pledge of vehicle-related fees will only apply to bonds, including refinanced bonds, issued after the effective date of the bill.

Appropriation: None.

Fiscal Note: Not requested.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This is a technical bill at the request of the state Treasurer. This was done successfully in the 2015 bond bill. This aligns with the 2015 Connecting Washington bill that already pledges vehicle related fees. This bill will be good for the states debt ratings. This is a small but important financial management bill that will provide long term flexibility. There is \$6.2 billion in outstanding transportation debt.

Persons Testifying: PRO: Senator Marko Liias, Prime Sponsor; Jason Richter, Office of the State Treasurer.

Persons Signed In To Testify But Not Testifying: No one.