

SENATE BILL REPORT

SB 5293

As of March 7, 1995

Title: An act relating to state indebtedness.

Brief Description: Computing state indebtedness.

Sponsors: Senators Quigley, Loveland and Strannigan.

Brief History:

Committee Activity: Ways & Means: 2/9/95.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Michael Groesch (786-7434); Brenda Hood (786-7431)

Background: The statutory 7 percent debt limit restricts the State Treasurer from issuing new general obligation bonds if the debt associated with the bonds would cause the state's total principal and interest payments to exceed 7 percent of the average of general state revenues for the preceding three fiscal years. General state revenues include all treasury funds except taxes levied for specific purposes, fees from operation of facilities, trust funds, and other specified funds. A higher debt limit is imposed in the State Constitution.

Not included in the calculation of the debt limit are debt service payments which are reimbursed by nonappropriated funds, debt payments associated with Convention and Trade Center bonds, and payments on lease purchase agreements.

All state agencies and institutions entering into lease purchase agreements for real property regardless of fund sources which are used as payments for lease purchase agreements must have prior approval by the Washington State Legislature. In addition, the State Finance Committee must approve any lease purchase contract except for certain facilities acquired by the University of Washington and Washington State University.

Summary of Substitute Bill: Payments of state treasury funds or higher education operating fees for lease purchase agreements for real property are included in the calculation of the statutory and constitutional debt limits. Real property does not include equipment or other personal property.

Substitute Bill Compared to Original Bill: The original bill was not considered.

Appropriation: None.

Fiscal Note: Requested on January 31, 1995.

Effective Date: The bill contains an emergency clause and takes effect immediately, except the effective date for the State Board for Community and Technical Colleges and the state institutions for higher education is July 1, 1999.

Testimony For: None.

Testimony Against: The current process is a cost effective way for projects to be undertaken that would not occur otherwise; these projects have a high local priority. The current process allows for flexibility with the tools we have for financing these projects outside of the regular capital appropriations process. If the debt underwritten by tuition is subject to the debt limit and is treated the same as in the capital budget, there will no longer be any projects proposed for the community and technical colleges. The projects requested by the community and technical colleges are from dedicated or other private sources of funding. The Legislature should look for a better mechanism than the current system of putting these projects in the back of the budget.

Testified: Tim Kerr, (background, concerns); Bill Julius (concerns).