

# Capital Budget Work Session

Senate Ways and Means Committee

February 23, 2009

# Today's Work Session will...

- ✓ Review the Basics of the Capital Budget
- ✓ Show How the Capital Budget has Changed in the Past 10 Years
- ✓ Discuss the Prospects for Borrowing Money in the 2009-11 Biennium
- ✓ Highlight Major Investments in the Governor's Capital Budget Request
- ✓ Suggest some of the Major Questions you may need to consider for the 2009-11 Capital Budget

# What's So Special about the Capital Budget?

- ✓ First, it takes three bills to fund most projects in the capital budget.

# How Many Bills does it take to fund most Projects in the Capital Budget?

***“One. One Bill”***



The first bill is the Capital Budget Appropriations Act

**This is where you authorize agencies to spend money on capital projects.**

# How Many Bills does it take to fund most Projects in the Capital Budget?

*“Two. Two Bills”*



The second bill is the Bond Bill

This authorizes the Treasurer to sell Bonds.

**60 percent!**

# How Many Bills does it take to fund most Projects in the Capital Budget?

***“Three! Three Bills!”***



The third bill is the Operating Budget Appropriations Act

**This is finally where the General Fund pays the Debt Service on all of the outstanding bonds.**

# How Many Bills does it take to fund most Projects in the Capital Budget?



*“You’re Velcome”*

*Ha Ha Ha Ha Ha”*

# What's So Special about the Capital Budget?

- ✓ First, it takes three bills to fund most projects in the capital budget.
- ✓ There is no "carry forward level" or "maintenance level." It starts out with Zero Dollars.

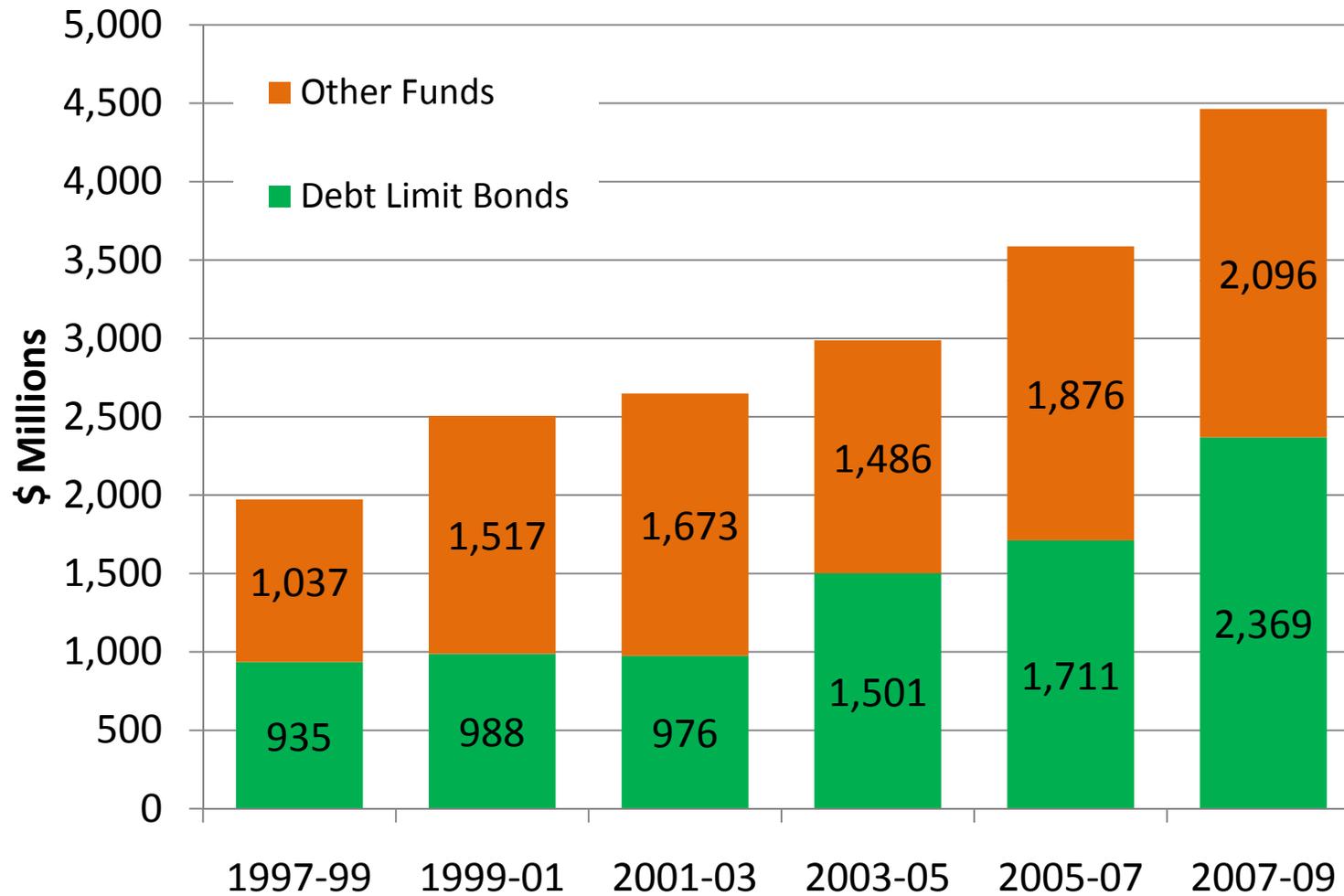
# What's So Special about the Capital Budget?

- ✓ First, it takes three bills to fund most projects in the capital budget.
- ✓ There is no "carry forward level" or "maintenance level. It starts out with Zero Dollars."
- ✓ Limits on the Capital Budget are Determined by Long Range Considerations

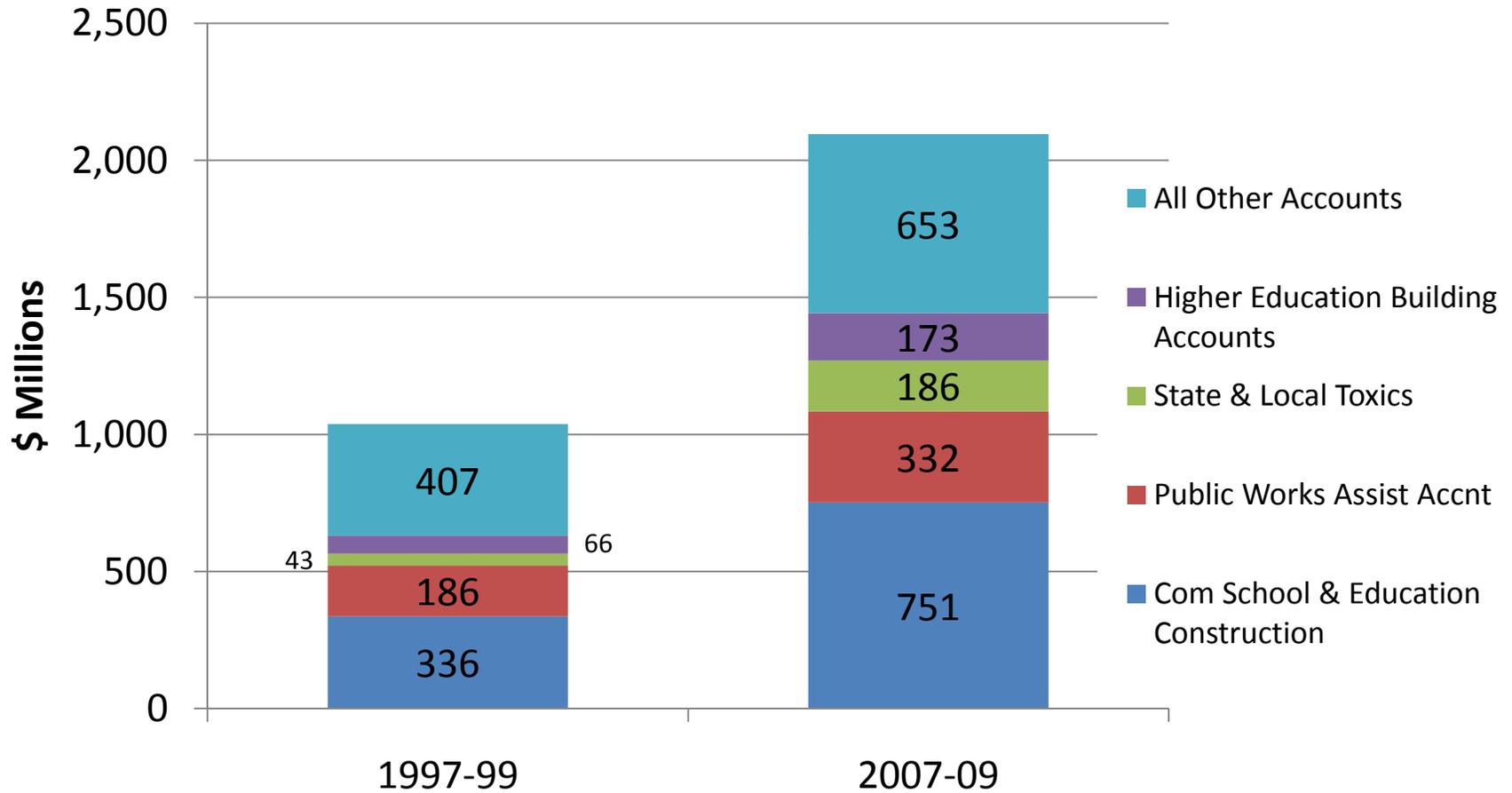
# How has the Capital Budget Changed in the Past 10 Years?

- ✓ It has Grown Twice as Fast as the Near General Fund Operating Budget.
- ✓ Much of the Growth is for Housing and Local Projects
- ✓ Much of the Growth is in Discretionary Areas of the State Budget

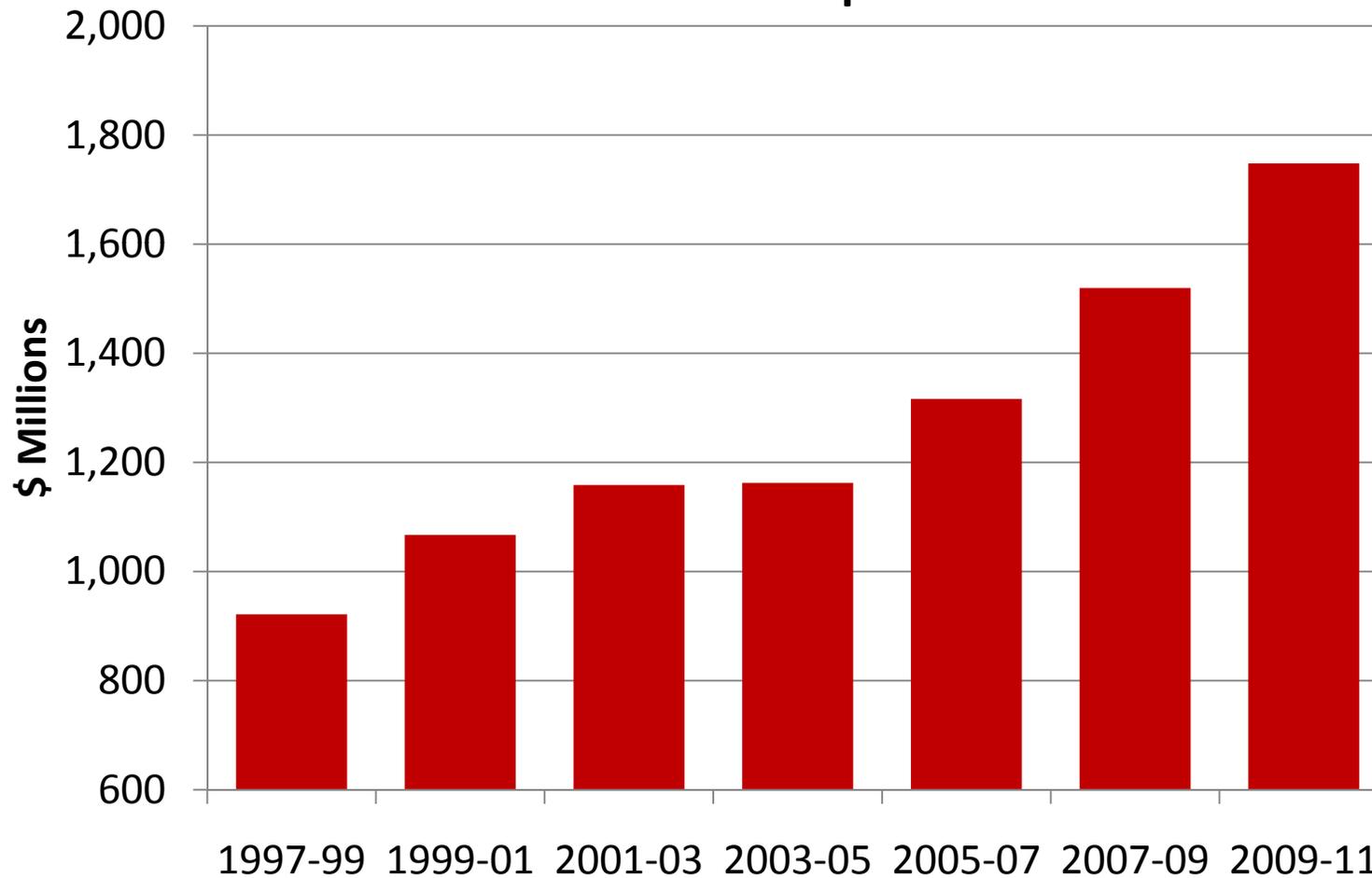
# The Bond Budget has Grown 150% in 10 years. The Near General Fund Operating Budget has Grown 69%



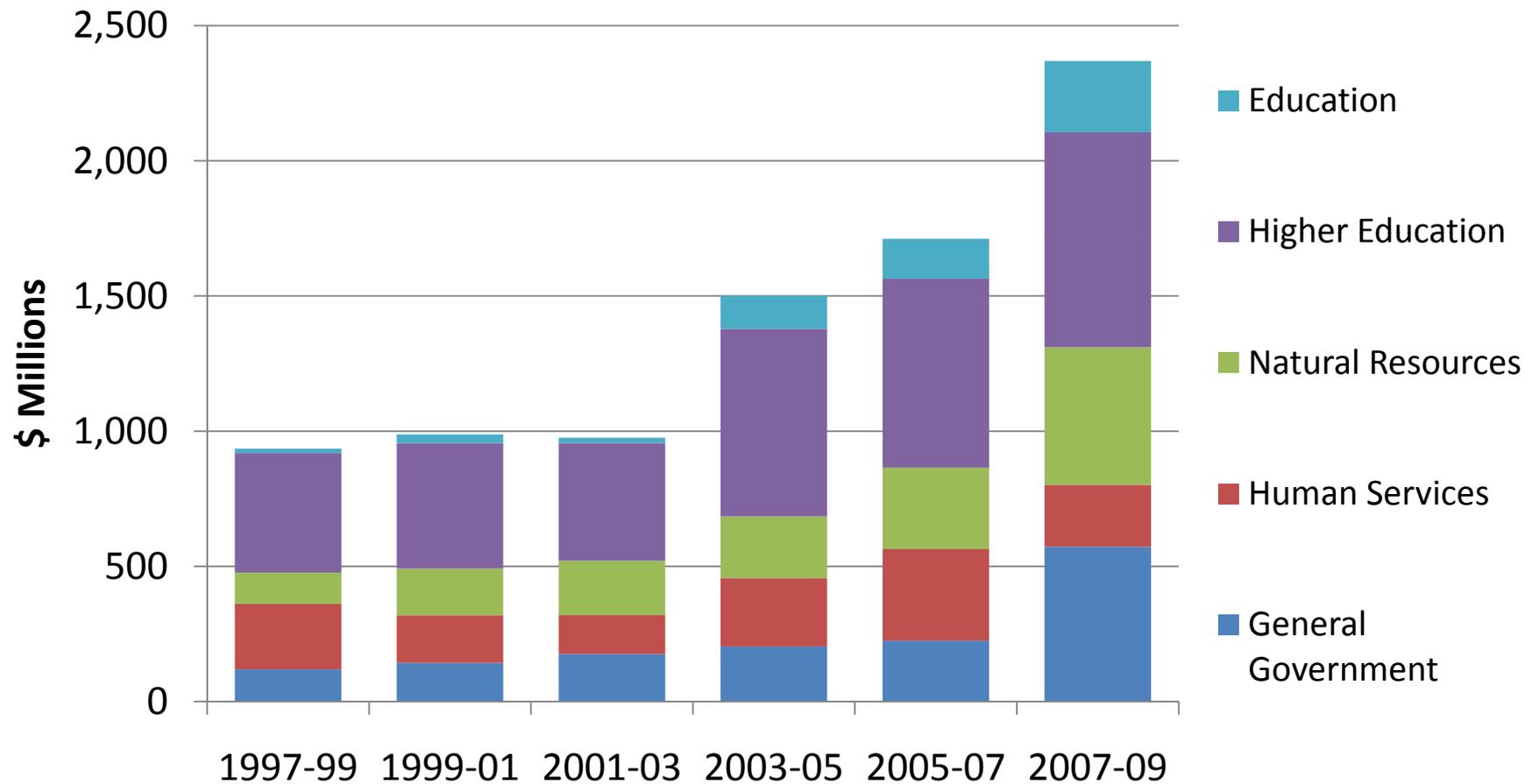
# Other Revenues in the Capital Budget have Doubled in the Past 10 Years



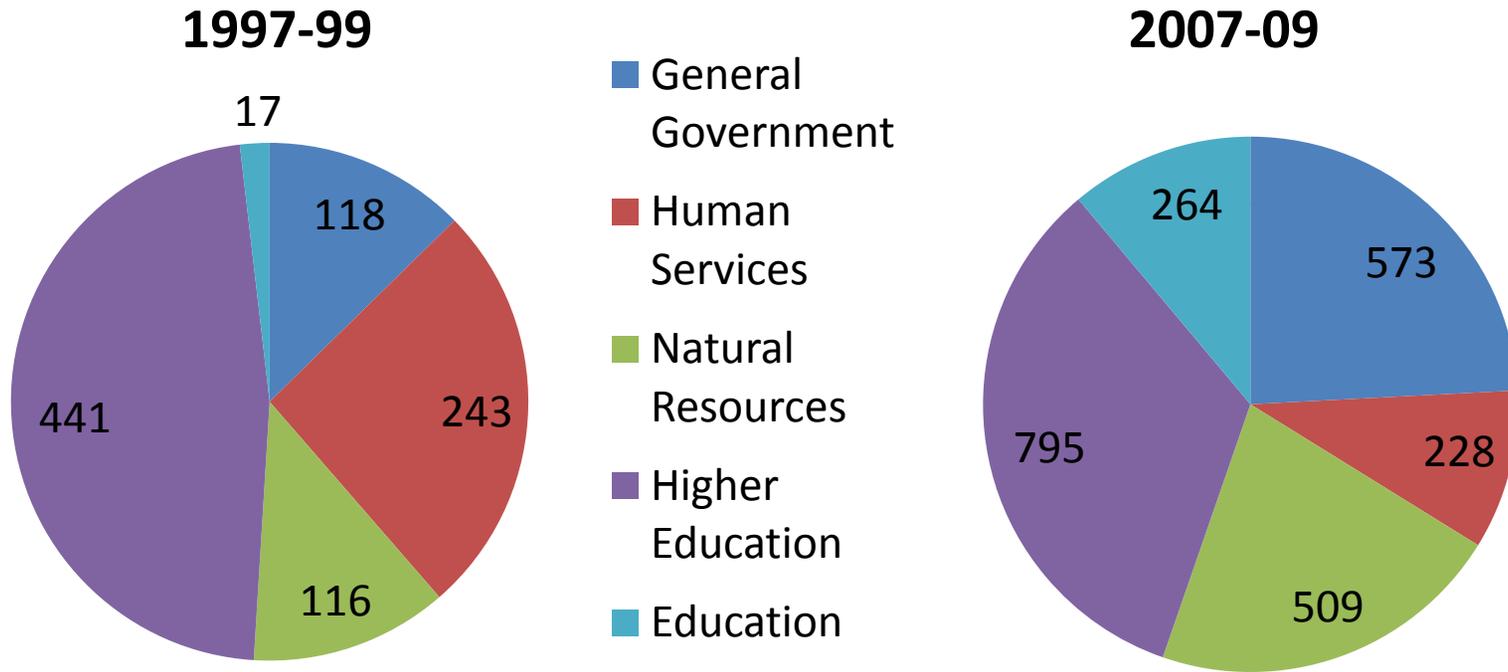
# The 150% increase in Bonds has Doubled Debt Service Payments, with Further Increases Required



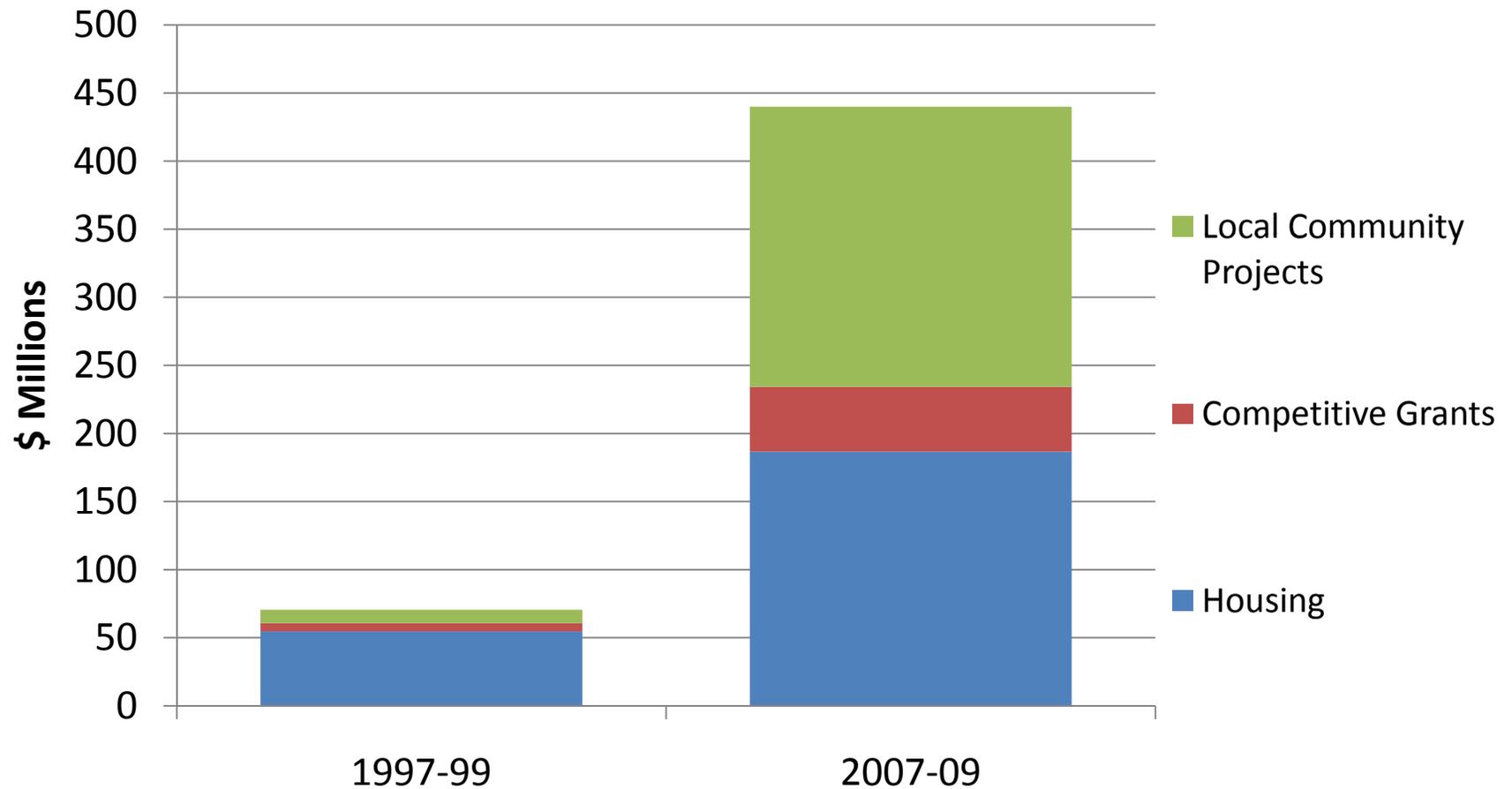
# K12 Shows the Highest Percent Growth in Bonds, But General Government is 1/3 of 10 Year Growth



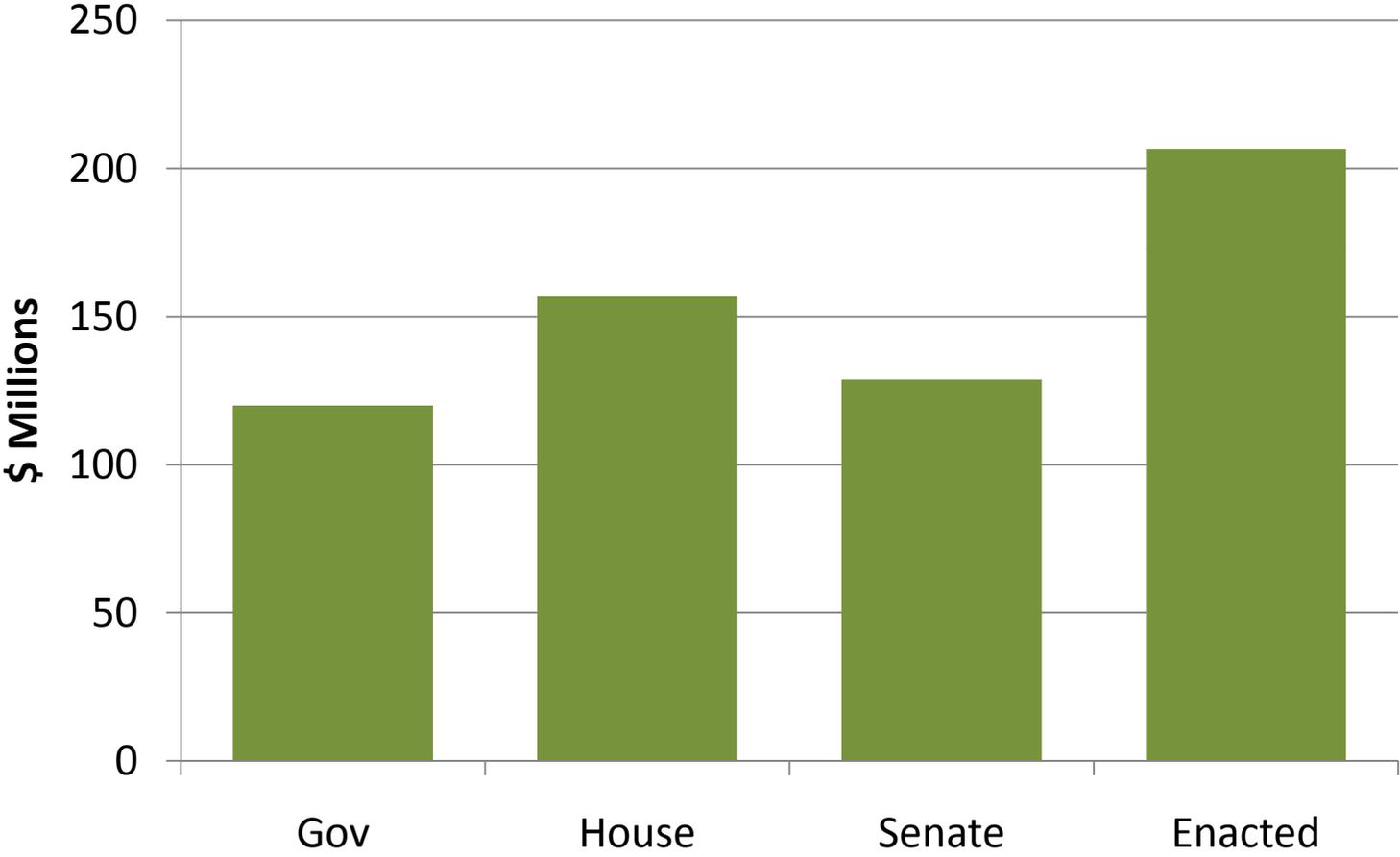
# General Government's Slice of the Bond Budget has Nearly Doubled, Higher Ed's has Lost 30%



# Housing and Local Projects Have Grown from \$71 Million to \$440 Million, 1/5 of 2007-09 Bond Budget

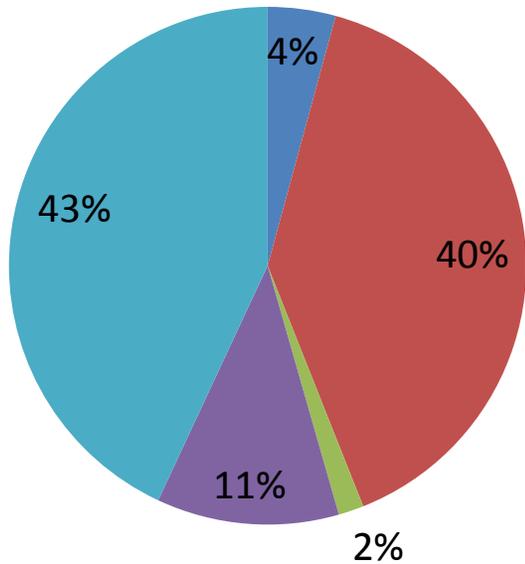


# Funding for Local Projects Add Up in the Development of the 2007-09 Budget

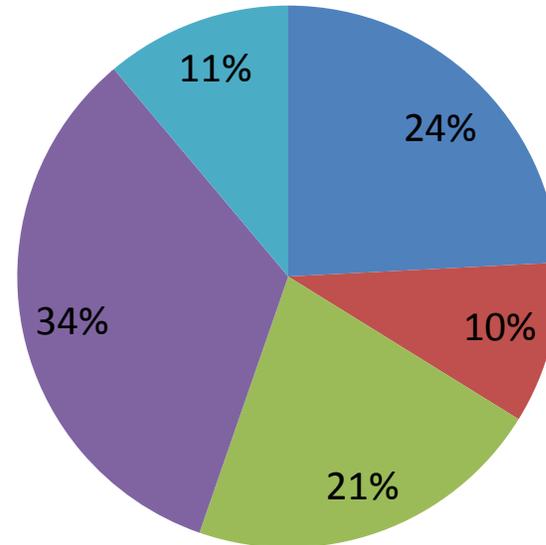


# Different Allocations of Operating and Capital Budgets Reflect Differences in who Delivers Public Services and How Financial Markets Define Tangible Assets

## Operating NGF Budget

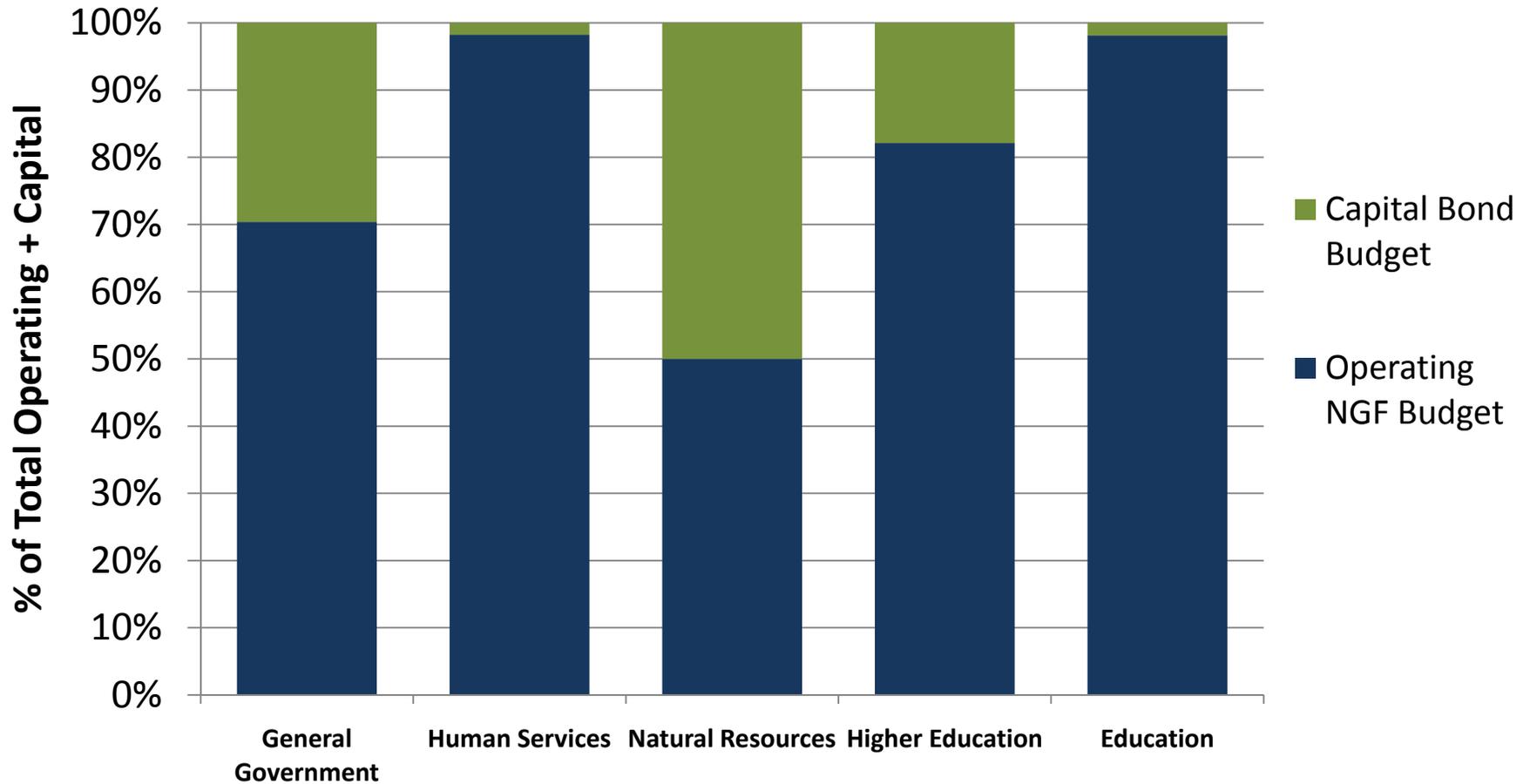


## Capital Bond Budget



2007-09 Biennium

# Different Allocations of Operating and Capital Budgets Reflect Differences in who Delivers Public Services and How Financial Markets Define Tangible Assets



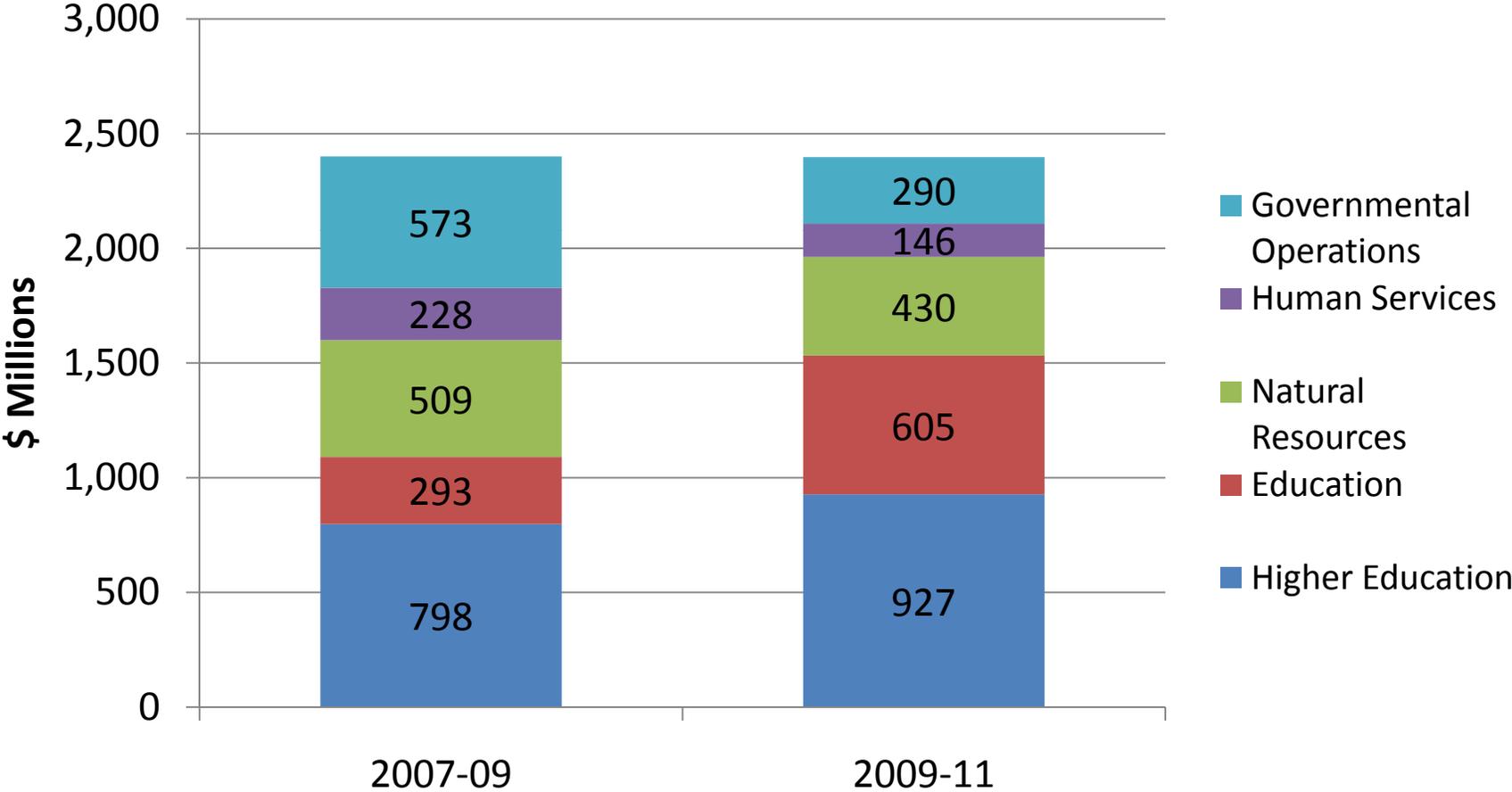
# Why Can't You just Borrow More?

- ✓ The Constitution limits debt service payments to no more than 9% of the 3-year average for general revenue.
- ✓ The amount of total state debt affects how the Financial Markets rate the state's credit worthiness, which determines the cost of borrowing and access to the Bond Market.
- ✓ **You DO have to pay it off.**

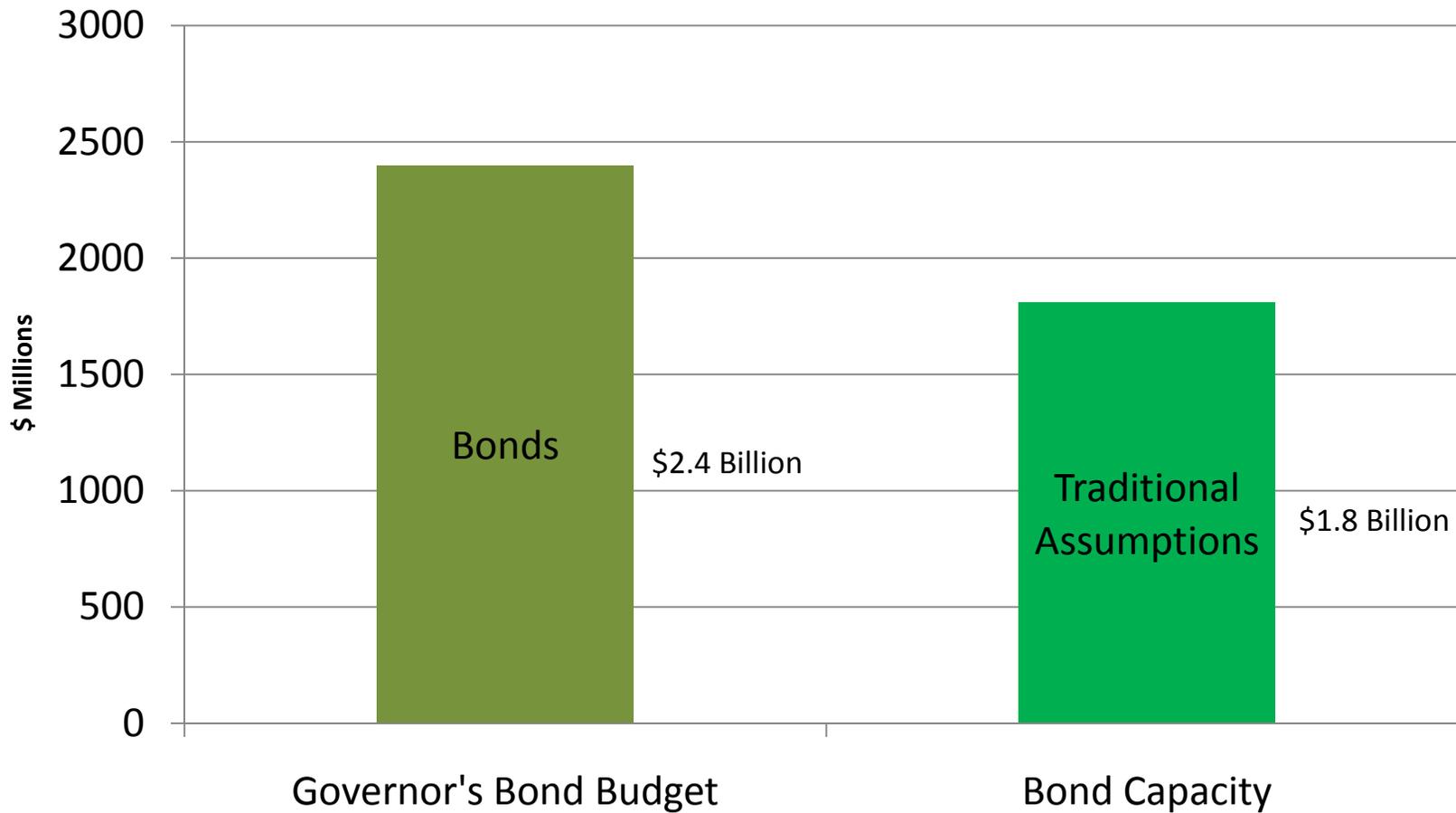
# What are the Prospects for Borrowing Money in the 2009-11 Biennium?

# What's in the Governor's Capital Budget?

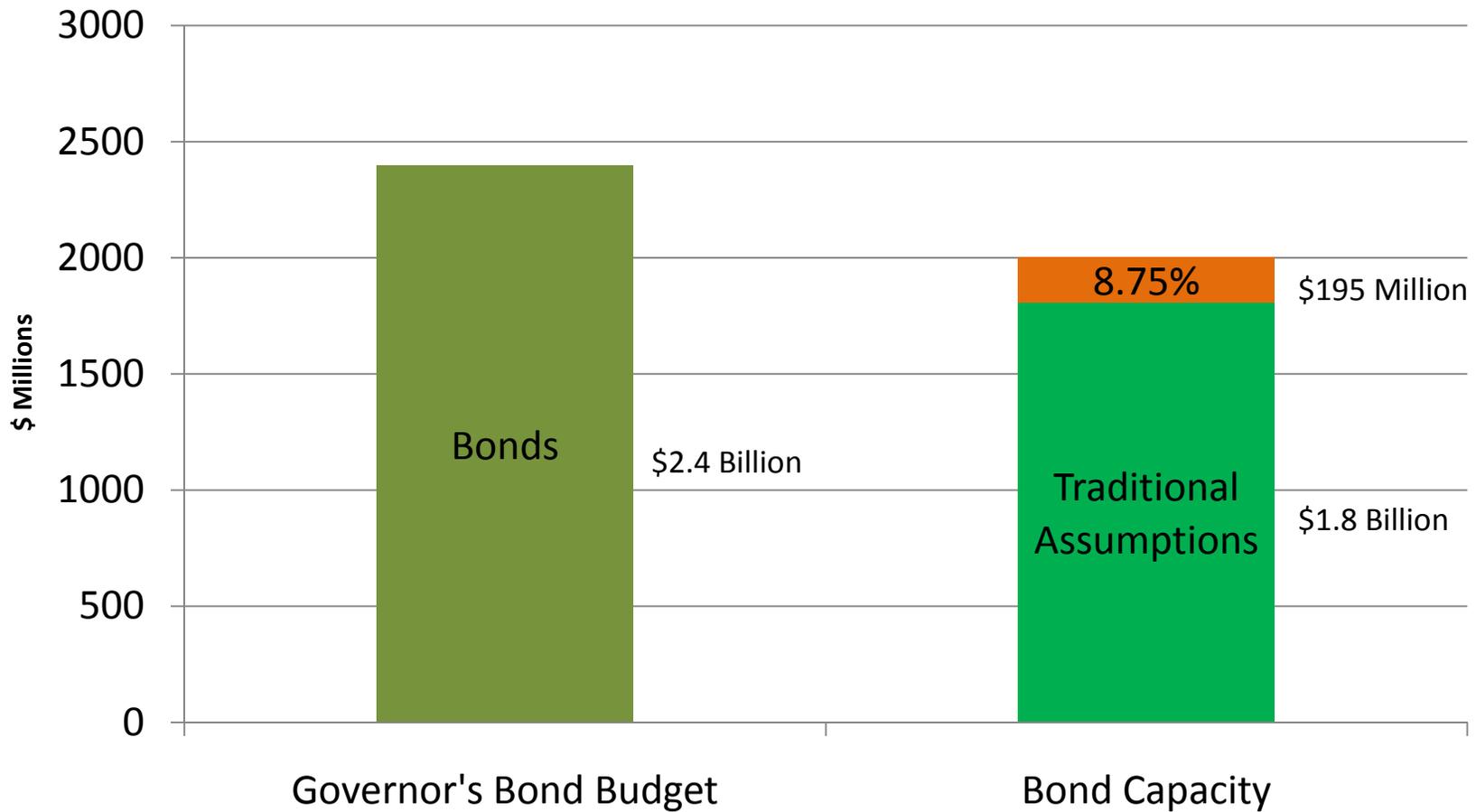
# The Governor's Proposed Bond Budget for 2009-11 is Level with the 2007-09 Budget when you include K12 Bonds & Non-traditional Higher Ed COPs



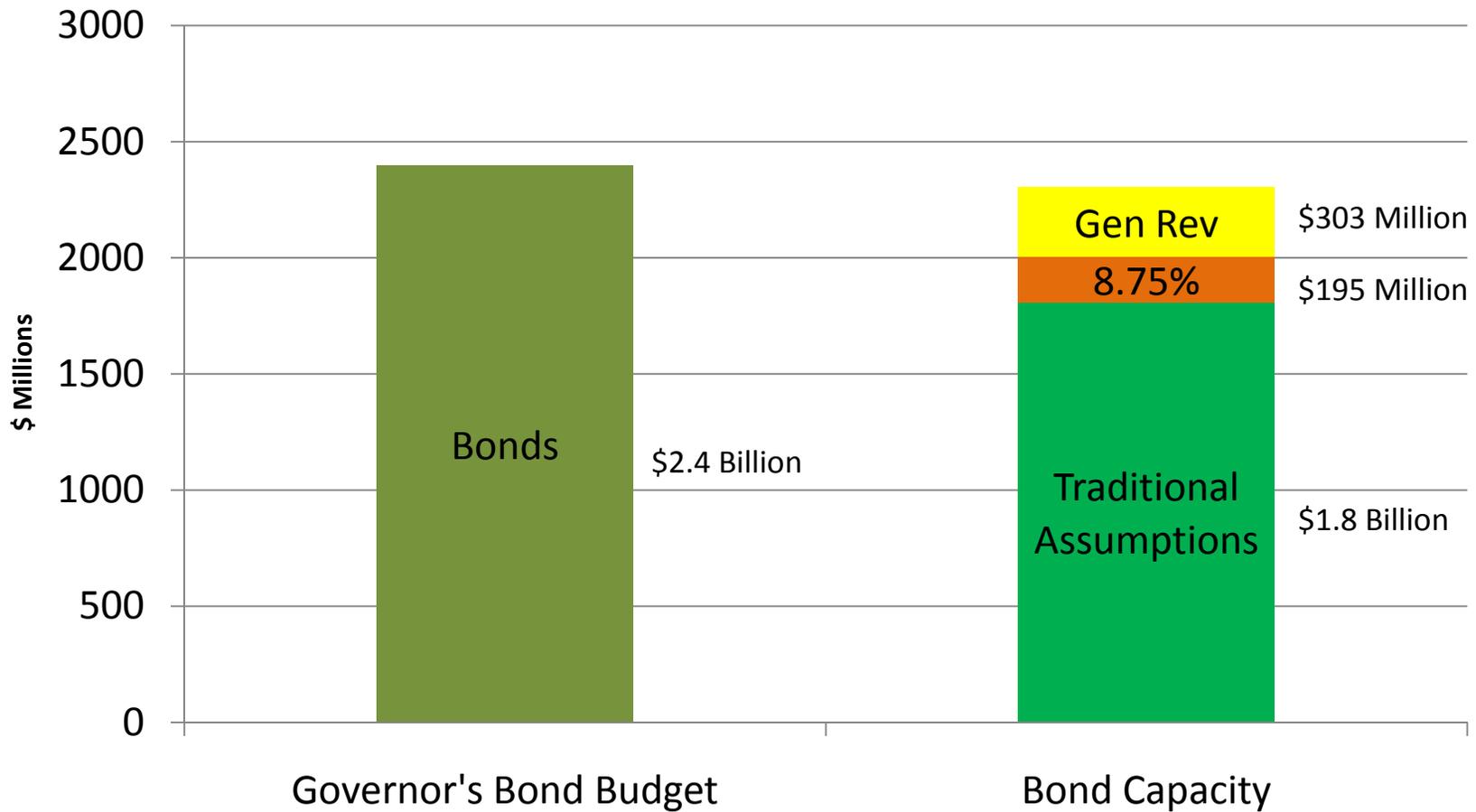
# How Does the Governor Expand Debt Capacity?



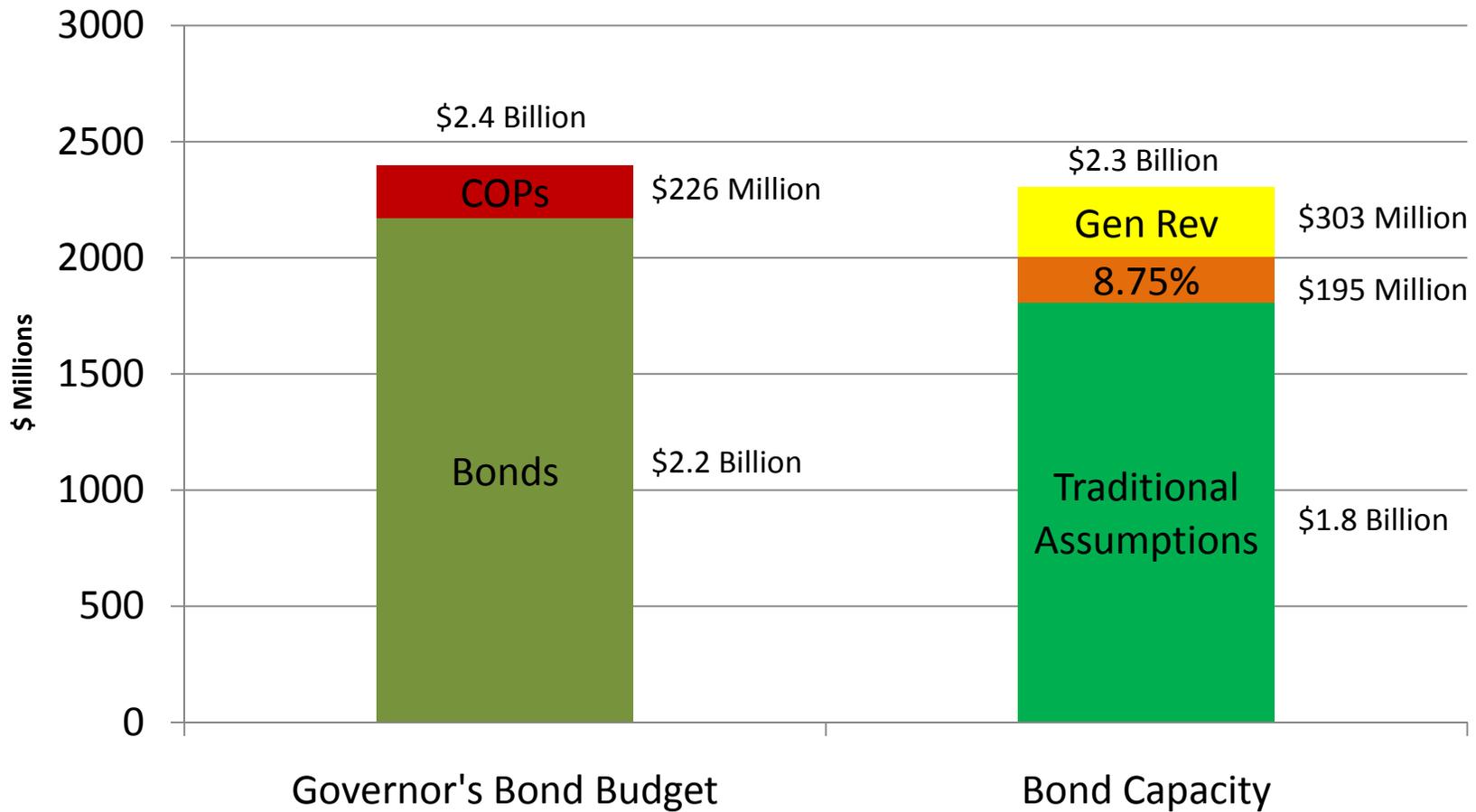
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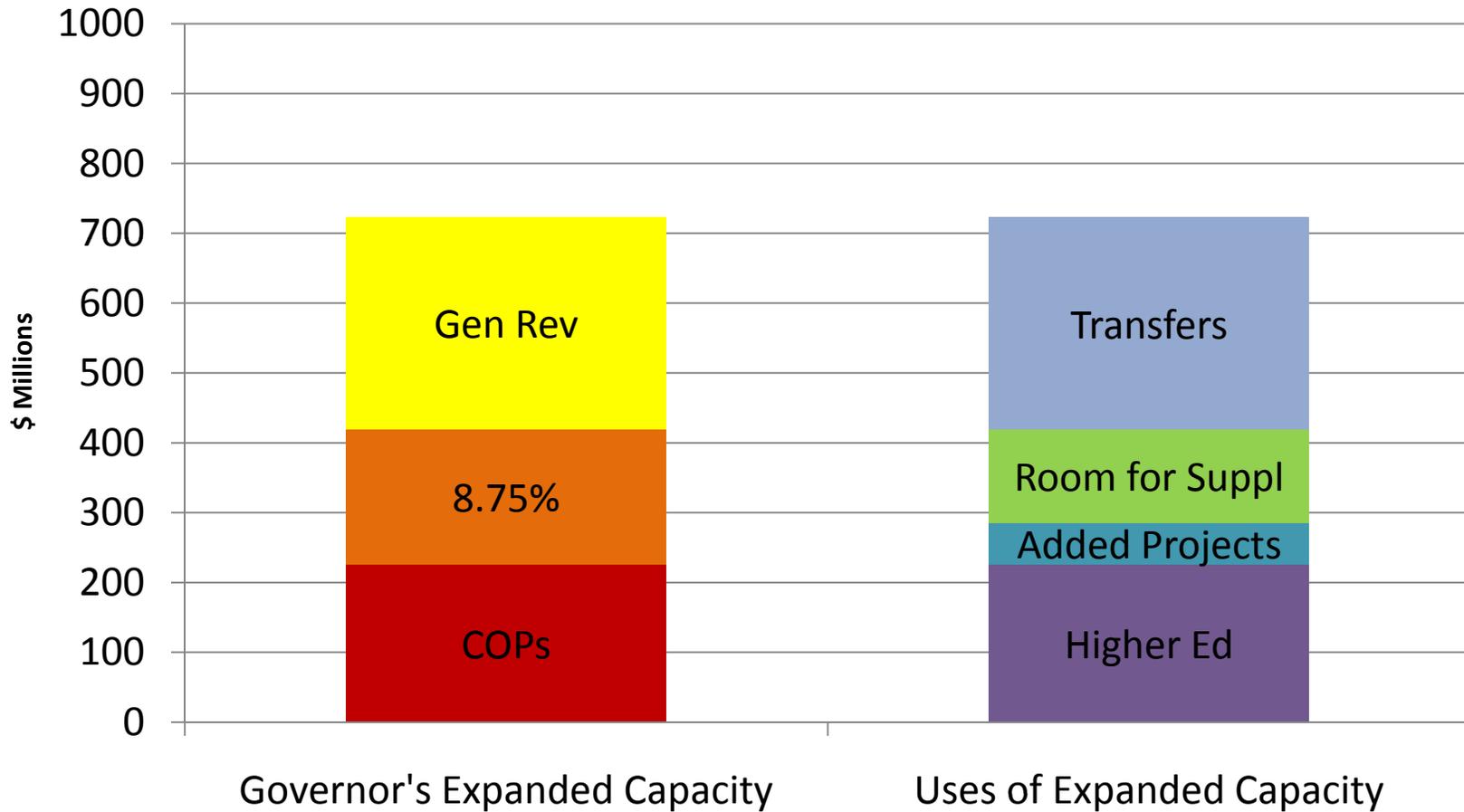
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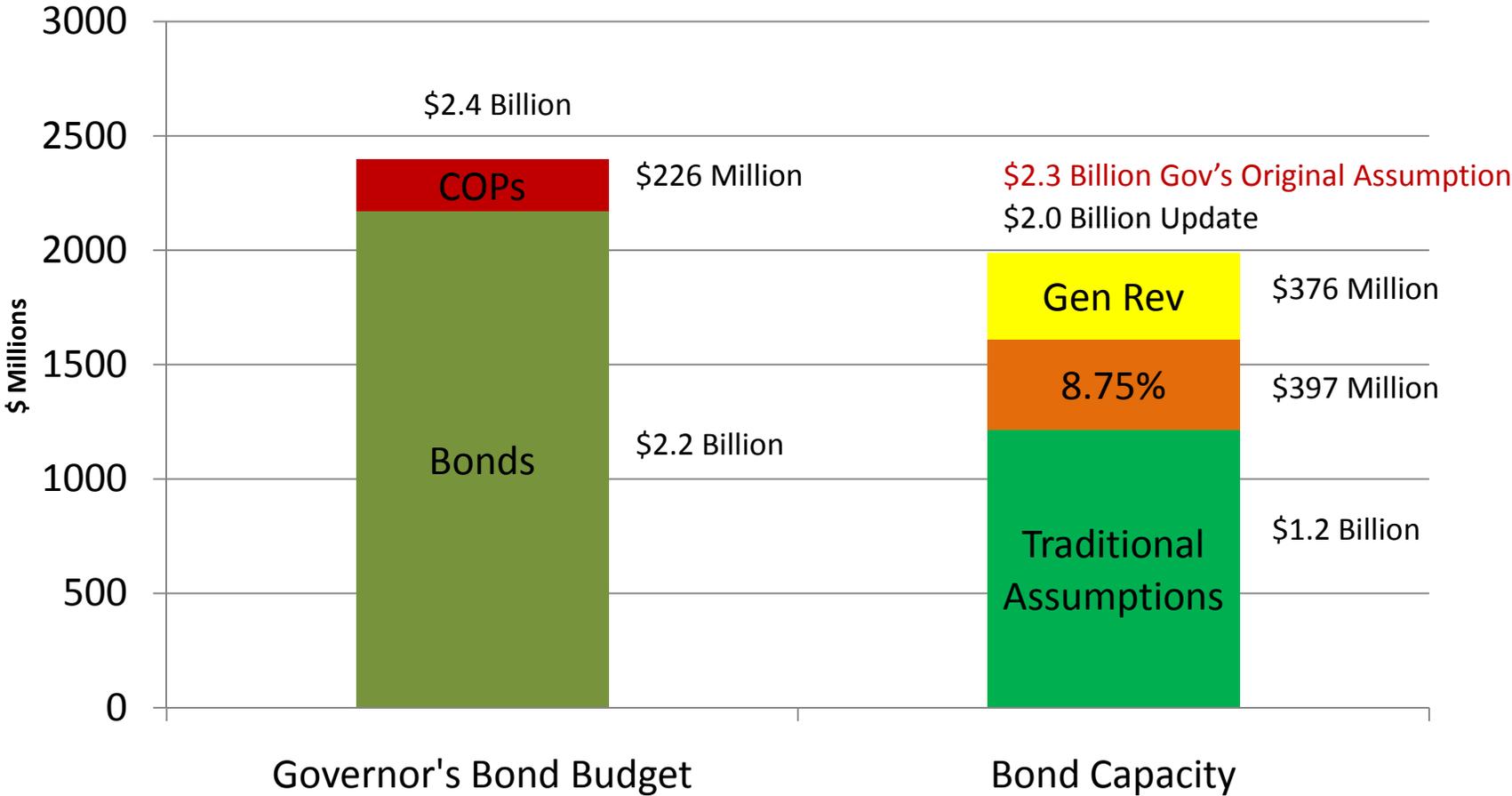
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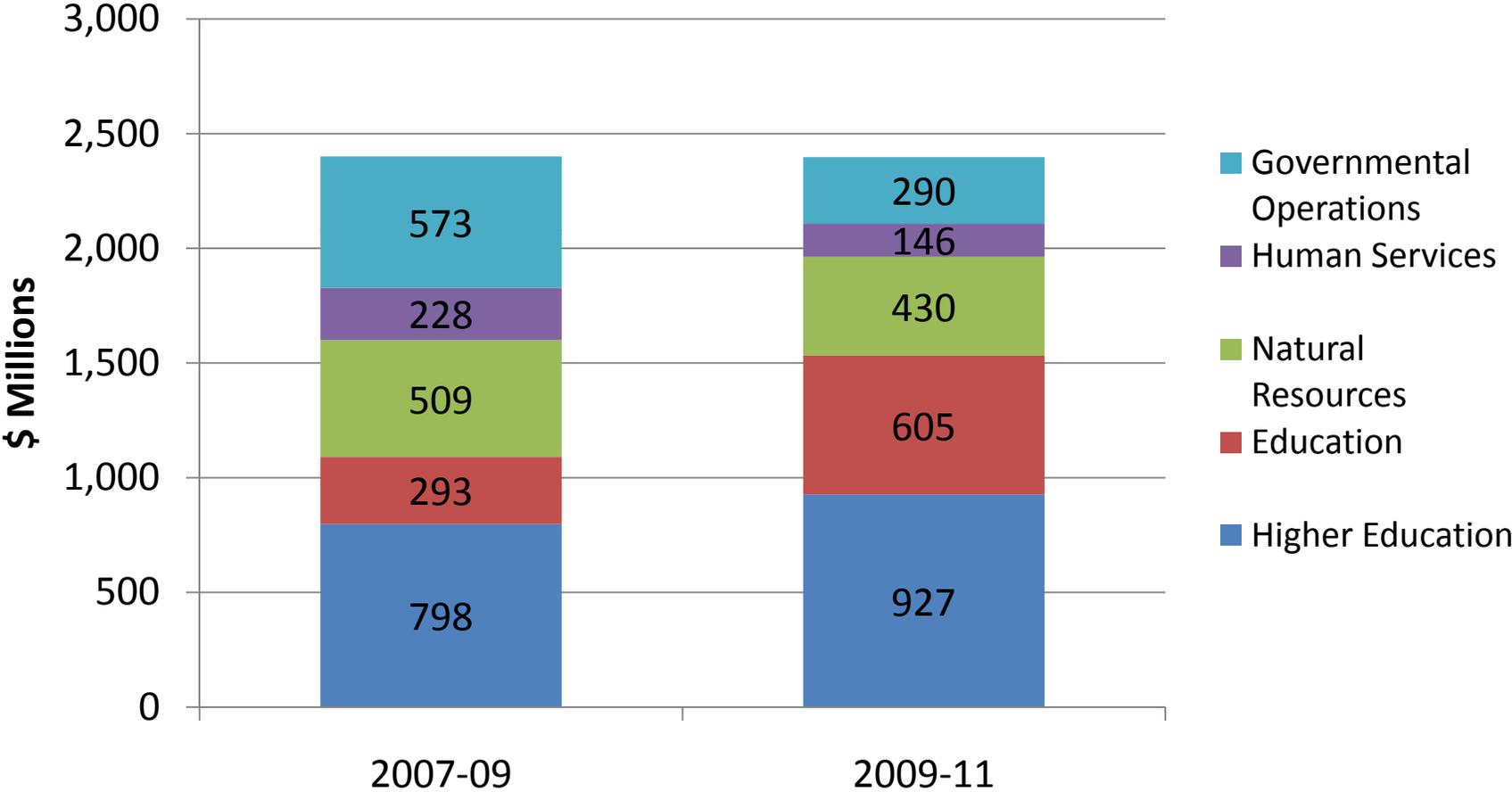
# How Does the Governor Use the Expanded Bond Capacity?



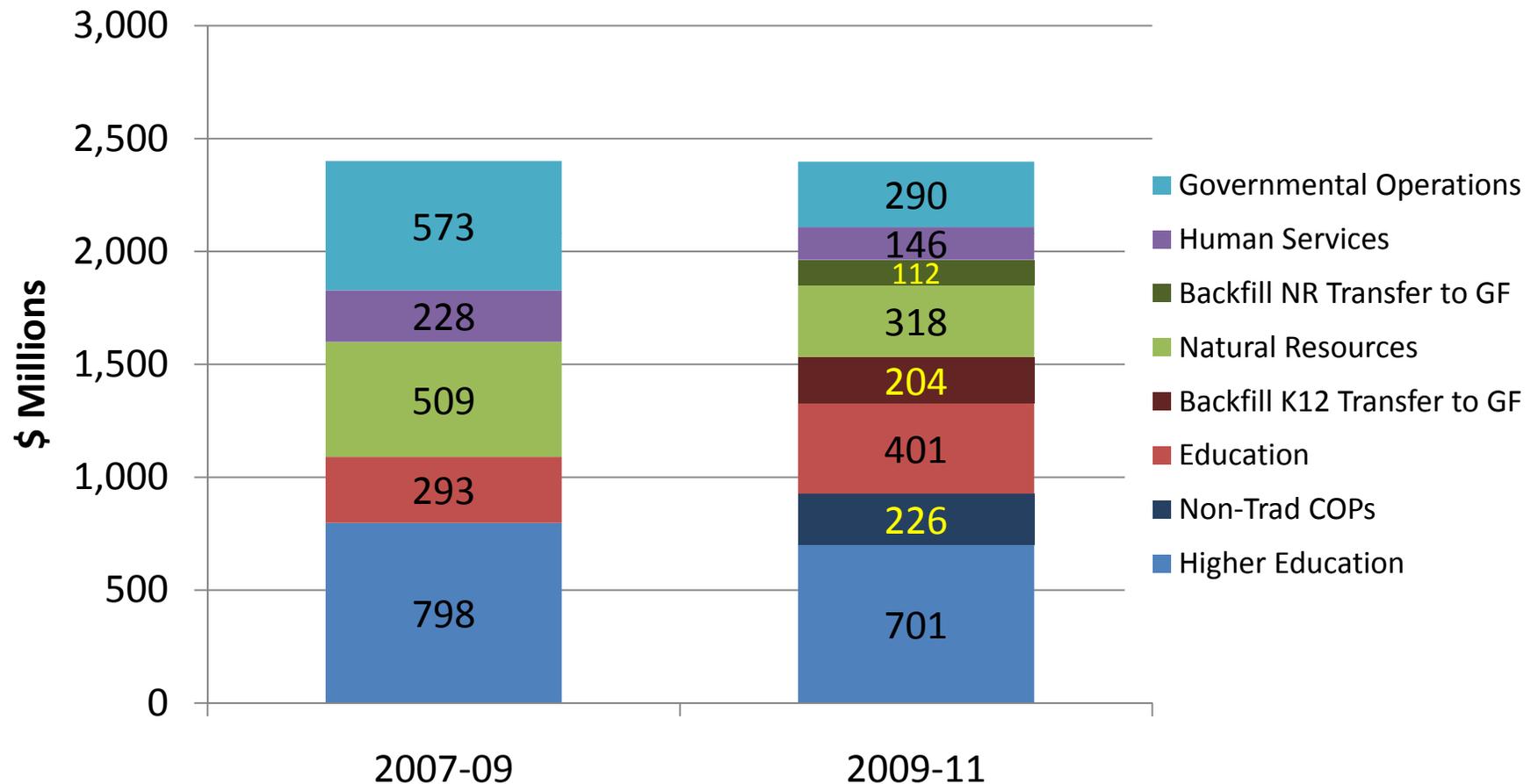
# How Does the Revenue Update & Supplemental change Bond Capacity?



# The Governor's Proposed Bond Budget Doubles K12, Higher Education is up by 16%, All Other Areas are Down



## Part of the Bond Budget for K12 and Natural Resources is for Backfilling Cash Transfers to the General Fund



# Major Projects in Governor's Request

<u>\$ Millions</u>	<u>Bonds</u>	<u>Total</u>
2009-11 School Construction Assistance Grant Program-Maintenance	576	827
	0	0
CTED Competitive and Non-Competitive Local Projects	108	108
CTED Housing Assistance, Weatherization, and Affordable Housing	100	100
Heritage Center/Executive Office Building Construction	28	28
DNR Trust Land Transfer	97	97
RCO Washington Wildlife Recreation Grants	50	50
RCO Puget Sound Acquisition and Restoration	33	33
ECY Centennial Clean Water Program	35	35
ECY Coordinated Prevention Grants	25	25
ECY Remedial Action Grant Program	38	38

# Major Projects in Governor's Request

\$ Millions	Non-Trad		Total
	Bonds	HE COPs	
UW Denny Hall Renovation	0	47	47
UW Balmer Hall Reconstruction	0	39	39
UW Molecular Engineering Building	54	0	54
UW Tacoma Phase 3	34	0	34
WSU Vancouver - Applied Technology and Classroom Building	39	0	39
WSU Pullman - Wastewater Reclamation Project	0	16	16
WWU Miller Hall Renovation	58	0	58
EWU Patterson Hall Remodel	28	0	28
CWU Hogue Hall Renovation and Addition	18	0	18
Peninsula College: Business and Humanities Center	35	0	35
South Puget Sound Community College: Learning Resource Center	0	35	35
Spokane Community College: Technical Education Building	32	0	32
Green River Community College: Humanities and Classroom Building	28	0	32
Bellingham Technical College: Instructional Resource Center	29	0	30
Spokane Falls Community College: Chemistry and Life Science Bldg	29	0	29
Lake Washington Technical College: Allied Health Building	0	27	27
Seattle Central Community College: Wood Construction Center	26	0	26
Clover Park Technical College: Allied Health Care Facility	0	26	26
Preventative Facility Maintenance and Building System Repairs	23	0	23
Spokane Falls Community College: Campus Classrooms	0	22	22
Columbia Basin College: Vocational Building	21	0	21

# Preliminary Federal Stimulus Amounts for the Capital Budget

	<u>\$ Millions</u>
<b>Capital Funding</b>	
Weatherization	61
HOME	43
Community Development BG	17
Drinking Water	42
Clean Water	69
Public Housing Capital Fund	40
School Lunch Equipment	<u>2</u>
	273

# What are some of the Major Questions in Developing the 2009-11 Capital Budget?

- ✓ What is your Bond Capacity? Will you undedicate PSEA along with the WQA, VRDE & HSA?
- ✓ Will you shift more cash from the Capital Budget to the General Fund? Will you backfill those transfers with Bonds?
- ✓ How will you use the Federal Stimulus money?
- ✓ How will you balance core capital budget responsibilities with high expectations for local projects?