Washington State Capital Budget
Overview and 2003-05 Bond Capacity Preview

House Capital Budget Committee
Office of Program Research
12/04/02
Capital Budget Overview

- The capital budget finances the construction and repair of state office buildings, prisons, juvenile rehabilitation facilities, residential habilitation centers, mental health facilities, public health facilities, military readiness centers, higher education facilities, and other state facilities.

- The capital budget finances a variety of environmental and natural resource projects and parks and recreational facilities.

- The capital budget provides grants to local school districts to assist in financing school construction costs (typically the single largest appropriation).

- The capital budget has a number of grant and loan programs that support: housing (Housing Trust Fund), local government infrastructure (Public Works Trust Fund), arts, local cultural projects, community service facilities, wildlife and recreation (Washington Wildlife and Recreation Program), and natural resources and the environment (Aquatic Lands Enhancement Program, Local Toxics Grants, Water Pollution Control Revolving Account, and the Centennial Clean Water Fund).
Sources of Funding for the Capital Budget

- **Borrowing** – The state periodically issues General Obligation (GO) bonds to fund capital projects. Debt service is paid from the General Fund (operating budget).

- **Trust Revenues** – State trust lands (primarily granted by the federal government) provide timber and mineral revenue.

- **Other Funds** – There are a number of dedicated fees and taxes that are appropriated in the capital budget (primarily in the natural resources area).
The Bond Bill

• Necessary to finance bond-funded appropriations in the capital budget.

• States the purpose of the bonds, authorizes the State Finance Committee to issue bonds, and pledges the full faith and credit of the state.

• Must receive a 60% majority from both houses of the legislature to pass (constitutional requirement).
Bond Capacity

- Bonds are issued as needed as projects are completed over about a 4-year period.
- The **debt limit** restricts the amount of bonds that can be issued. The Treasurer cannot issue any bonds that would cause the debt service on the new plus existing bonds to exceed 7% of general state revenue averaged over 3 years (the constitutional limit is 9%).
- **Bond capacity** for a given biennium is the amount of projects that can be authorized by the legislature for which the Treasurer can issue bonds to finance without exceeding the debt limit in the future given forecasted variables and a stable capital budget level in future biennia.
- Interest rates, revenue, and other factors affect bond capacity.
History of Appropriations in the Capital Budget

<table>
<thead>
<tr>
<th>Year</th>
<th>Debt Limit Bonds</th>
<th>Other Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-93</td>
<td>$864</td>
<td>$1,885</td>
</tr>
<tr>
<td>1993-95</td>
<td>$953</td>
<td>$1,712</td>
</tr>
<tr>
<td>1995-97</td>
<td>$826</td>
<td>$1,627</td>
</tr>
<tr>
<td>1997-99</td>
<td>$933</td>
<td>$1,963</td>
</tr>
<tr>
<td>1999-01</td>
<td>$987</td>
<td>$2,416</td>
</tr>
<tr>
<td>2001-03</td>
<td>$966</td>
<td>$2,581</td>
</tr>
</tbody>
</table>
2001-03 Washington State Capital Budget (Including 2002 Supplemental)
By Functional Area

Debt Limit Bonds
Governmental Operations 151,652,802
Human Services 143,664,329
Natural Resources 201,365,044
Transportation 19,150,000
Education 19,423,182
Higher Education 430,812,399
Statewide Total 966,067,756

Total New Appropriations
Governmental Operations 595,104,819
Human Services 195,326,504
Natural Resources 715,309,354
Transportation 19,150,000
Education 366,276,250
Higher Education 689,457,060
Statewide Total 2,580,623,987
Pressures Facing 2003-05 Capital Budget Bonds

2001-03 Capital Budget

$966 million

2003-05 Capital Budget

$925 million??

Prison Beds

K-12

Preservation

Fish and Water