

Report on the State of Washington's Debt Limitation



Office of the State Treasurer

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WSDOT, SR 167 Puyallup River Bridge



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Based on direction provided by the State Constitution and RCW, the Office of the State Treasurer prepares an annual Report on the State of Washington's Debt Limitation, which includes:

- Computation of the six-year arithmetic mean of General State Revenues (GSRs)
- Computation of the Constitutional debt service limitation ($8.25\% \times 6\text{-year mean of GSRs}$)
- Maximum annual debt service on debt subject to the Constitutional limit
- Remaining Constitutional debt capacity



Washington State Constitutional Debt Limit

ARTICLE VIII STATE, COUNTY, AND MUNICIPAL INDEBTEDNESS

SECTION 1 STATE DEBT

(b) The **aggregate debt** contracted by the State, as calculated by the treasurer at the time debt is contracted, **shall not exceed** that amount for which payments of principal and interest in any fiscal year would require the State to expend more than **the applicable percentage limit of the arithmetic mean of its general state revenues for the six immediately preceding fiscal years** as certified by the treasurer.

The term "applicable percentage limit" means:

- **FY 2017-348.25%**
- **FY 2035 and thereafter.....8.00%**



Constitutional Definition of Debt

ARTICLE VIII STATE, COUNTY, AND MUNICIPAL INDEBTEDNESS

SECTION 1 STATE DEBT

(d) In computing the amount required for payment of principal and interest on outstanding debt under this section, debt shall be construed to mean borrowed money represented by **bonds...which are secured by the full faith and credit of the State or are required to be repaid, directly or indirectly, from general state revenues and which are incurred by the State...but shall not include...obligations guaranteed as provided for in subsection (g) of this section....**



Constitutional Debt Limit Carve-Outs

ARTICLE VIII STATE, COUNTY, AND MUNICIPAL INDEBTEDNESS

SECTION 1 STATE DEBT

(g) Notwithstanding the limitation contained in subsection (b) of this section, the State may pledge its full faith, credit, and taxing power to guarantee the payment of any obligation payable from revenues received from any of the following sources:

- (1) Fees collected by the State as license fees for motor vehicles;**
- (2) Excise taxes collected by the State on the sale, distribution or use of motor vehicle fuel; and**
- (3) Interest on the permanent common school fund:**

Provided, That the legislature shall, at all times, provide sufficient revenues from such sources to pay the principal and interest due on all obligations for which said source of revenue is pledged.



18th Amendment Restriction

ARTICLE II LEGISLATIVE DEPARTMENT

SECTION 40 HIGHWAY FUNDS

All fees collected by the State of Washington as **license fees for motor vehicles and all excise taxes collected by the State of Washington on the sale, distribution or use of motor vehicle fuel** and all other State revenue intended to be used for highway purposes, **shall be paid into the State treasury and placed in a special fund to be used exclusively for highway purposes....**



Statutory Debt Limit

SSB 5181 | Chapter 46, Laws of 2011, 3rd Sp. Sess.

- Established a working debt limit for budget development for VP GO bond appropriations
- The Governor and Legislature must develop capital bond budgets within the most recent working debt limit
- Stated objectives of **stabilizing debt capacity** and **reducing debt service burden** on operating budget
- Working debt limit must be lower than the State constitutional debt limit in order **to reserve capacity** under the constitutional limit **for emergencies and economic uncertainties**
 - FY 2016-17..... 8.50%
 - FY 2018-19.....8.25%
 - **FY 2020-21.....8.00%**
 - FY 2021 and thereafter7.75%
- The State finance committee is authorized to reduce or delay the issuance of bonds if an issuance would result in exceeding the recommended working debt limit.



Not Included in the Debt Limitation

- Because of the MVFT or MVFT/VRF pledge, these bonds are excluded from the debt limit:
 - Motor Vehicle Fuel Tax G.O. Bonds (Nickel, TPA, Connecting Washington, older authorizations)
 - Triple-Pledge Bonds (520, 405/167, Gateway)
- GARVEE and TIFIA bonds are excluded from the debt limit because they are not secured by the state's full faith and credit or general state revenues
- Based on case law, leasehold financing contracts are excluded from the debt limit

Outstanding Obligations (\$ millions, as of 12/31/2019)	
Obligation Type	Outstanding
Various Purpose GO	12,069
Leasehold Financing Contracts*	1,095
Subtotal	13,163
Motor Vehicle Fuel Tax GO	6,443
MVFT/VRF GO	224
Triple Pledge (Tolls, MVFT, GO)	569
GARVEEs (Pledged Federal Aid)	441
TIFIA (Tolls)	292
Subtotal	7,969
TOTAL	21,132

