

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).

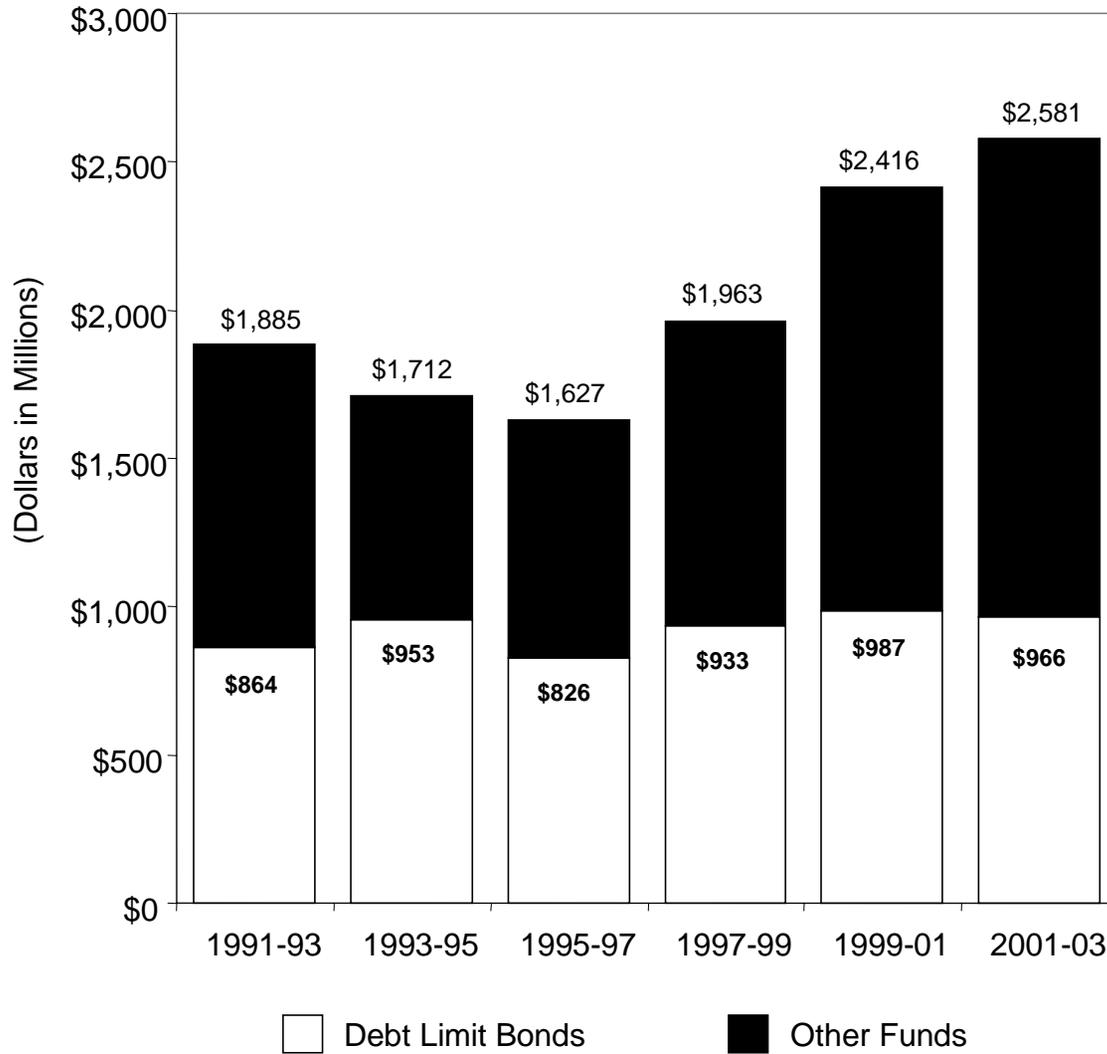
The Bond Bill

- 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.

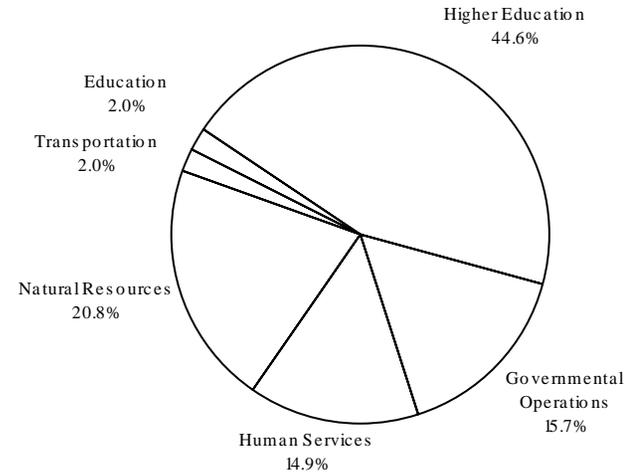
History of Appropriations in the Capital Budget



2001-03 Washington State Capital Budget (Including 2002 Supplemental)
By Functional Area

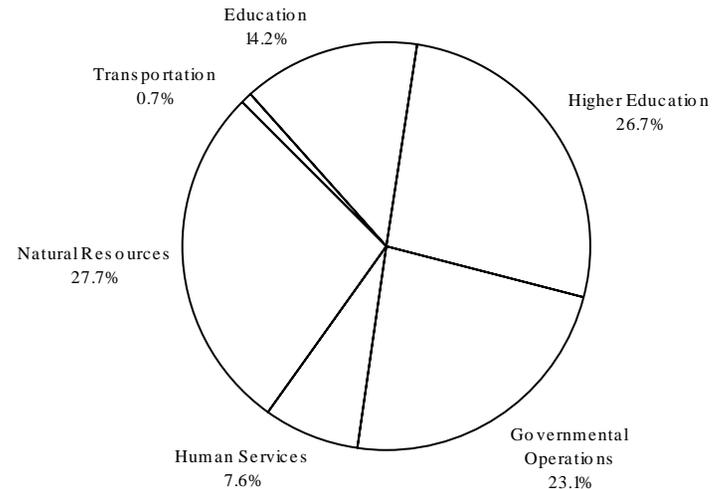
Debt Limit Bonds

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



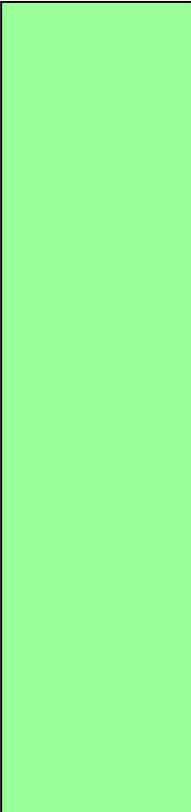
Total New Appropriations

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

\$966 million



2001-03 Capital Budget

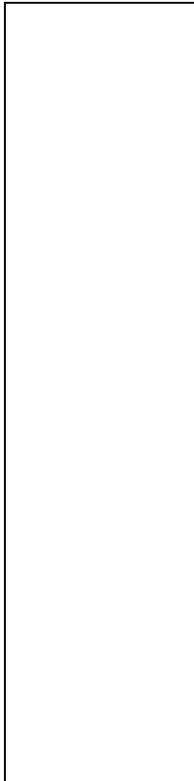


Prison Beds



K-12

\$925 million??



2003-05 Capital Budget

← Preservation



← Fish and Water

