Debt Service

Principal and interest payments on the general obligation of the state — debt service — represents up to seven percent of the operating budget. Such payments have grown rapidly since the mid-1980s. Based on outstanding debt as of December 31, 1997 and additional bond issues currently in the pipeline, about $936 million will be spent on general obligation principal and interest payments during the 1997-99 biennium.

The 1997 debt limit computation by the Office of the State Treasurer set the statutory limit for fiscal years 1998 and 1999 at $509.7 and $523.9 million respectively. Within these limits, the uncommitted debt service is about $62 and $38 million for fiscal years 1998 and 1999 respectively. The uncommitted portion constrains the additional debt that can be issued by the state.

The state issues long-term general obligation bonds to finance acquisition and construction of facilities for common schools, higher education, mental health, corrections, conservation, roads, highways, ferries, and bridges. Funds to make principal and interest payments for these bonds are derived from general revenues of the state. The full faith and credit of the state back the bonds. Additionally the state issues revenue bonds that are not general obligations of the state but rather are backed by claims to specific streams of revenue.

The issuance of general obligation bonds is subject to constitutional and statutory debt limitations. Debt limit calculations are made annually by the Office of the State Treasurer. The computation is based on the arithmetic mean of the prior three years’ of general state revenues. The State Constitution restricts the issuance of new general obligation debt if the debt service in any one year exceeds 9% of the arithmetic mean. Legislative action has further reduced the limit to 7%.

Both the constitution and statute exclude from the debt limit calculation:

- Debt payable from motor vehicle fuel taxes
- Debt payable from investment revenue of the permanent common school fund
- Debt payable from license fees on motor vehicles
- Debt payable solely from revenues of public improvements
- Debt issued to meet temporary deficiencies in the State Treasury;

the constitution excludes while the statutory limit includes:

- Debt approved by the legislature and a majority of voters;

while the statutory limit excludes but the constitutional limit includes:

- Debt that requires the State Treasurer to be reimbursed in full for debt serviced from moneys other than general state revenues.
On June 30, 1997 the outstanding bonded debt of the state of Washington totaled $6,192 million. Of this $4,231 million was subject to the debt limitation.

The graph depicts the annual percentage increase in (inflation adjusted) debt service. Debt service on bonds subject to the debt limit has grown significantly in recent years, exceeding the rate of growth in overall general fund spending allowed by Initiative 601. The Office of Financial Management expects the growth in debt service to match the 601 growth around fiscal year 2001. Debt not subject to the limit, much of which is transportation related, has grown less rapidly.

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