AIA WASHINGTON COUNCIL

ISSUE BRIEF

OPPOSE CUTTING THE STATE DEBT LIMIT

SJR 8221

KEY POINTS

- *Debt limit smoothing is a good idea*
- *Deep cuts to capital spending is a will hurt the state's economy*
- *Pencil Ready Projects create Shovel Ready Jobs*
- *Every $1 billion spent on construction creates 13,820 jobs and $723 million in wages.*
- *Construction spending creates more jobs and higher wages than general government spending.*
- *The Capital Budget is not the cause of the operating budget problems.*

Stan Bowman
Executive Director
bowman@aiawa.org

Phone: 360-943-6012
Fax: 360-352-1870

twitter.com/aiawa
aiawa.blogspot.com
facebook.com/aiawa

Background

The capital budget is critical to getting the state's economy moving again. The projects it funds are needed by our schools, community colleges, health clinics and public housing.

Investment in Design & Construction Creates More Jobs

A recent study by Hebert Research of Bellevue found that every billion dollars spent on design and construction projects create 1,000 more jobs and $55 million more in wages than if those funds were spent in the general government budget.

Debt Commission Recommendations

The Commission on State Debt recommended methods for smoothing the highs and lows of the state's bonding capacity. It noted that the current 3 year method for calculating general state revenues is too volatile.

Support Smoothing of the Debt Limit

The Commission recommended adopting a 6 year calculation for general state revenues, including the property tax in the base and lowering the debt limit from the current 9.0% to 8.75%.

The AIA|WA can support this change. The 6 year calculation and inclusion of the property tax stabilizes the debt limit over time so that there are not dramatic increases and decreases as the economy fluctuates. Inclusion of the property tax would also have the effect of increasing the base on which the debt limit is calculated. Therefore, it may be reasonable to lower the limit slightly to compensate.

Oppose Deeper Cuts to the Debt Limit

While stabilizing the debt limit is positive, deeper cuts in the constitutional limit would not be wise. Some in the legislature would like to cut the limit to 8.0% — a full point below the current limit. This is a profoundly unwise move.

The Capital Budget is not Causing the State's Budget Problems

State construction spending is directly tied to the size of the general fund revenues. As the revenues decline, construction spending declines. Bond sales have dropped by more than $2 billion in the last two budgets. This will be the lowest bond sales in the last 10 years.

Cuts to Capital Spending will Not Lower General Fund Spending

Cutting capital spending only transfers money around in the budget. It does not cut overall spending. Lowering the debt limit is simply a way of spending money on other programs that will not create as many jobs as construction investments. In the last 3 years capital spending has decreased by $3.7 billion, including $1.7 billion in budget transfers to the operating budget.

Investors are Flocking to Buy Washington Bonds

Washington's debt is limited and well managed. A recent refinancing saved the state $154 million through record low interest rates. This indicates the size of our debt is not a concern for investors.