

Commission on State Debt Meeting Minutes
Olympia, Washington
October 21, 2011
8:40 am

The Commission on State Debt met after notice duly given to the public.

Present:

James McIntire, State Treasurer, Chair
Rep. Hans Dunshee, State Representative
Sen. Derek Kilmer, State Senator
Dr. Kathleen A. Ross, snjm, President Emeritus, Heritage University, Toppenish
Kris Sjoblom, Vice President–Research and Economist, Washington Research Council
Ruta Fanning, Former Legislative Auditor and Director, Joint Legislative Audit & Review Committee
Tim Kerr, Former Deputy State Treasurer for Debt Management
Sen. Linda Evans Parlette, State Senator (by phone)
Jim Shoemake, Independent Appointed by the Treasurer (by phone)
Rep. Judy Warnick, State Representative
Rebekah Johnson, WFSE designate for Jeff Johnson

Also Present:

Becca Kenna-Schenk, WA State Senate
Steve Smith, Office of Financial Management
Debra Gurtler, WA State House of Representatives
Wolf Opitz, Office of the State Treasurer
Chris McGann, Office of the State Treasurer
Ellen Evans, Office of the State Treasurer
Nona Snell, Office of the State Treasurer
Brian Sims, Washington State Senate
Susan Howson, Washington State House of Representatives
Sandi Triggs, Office of Financial Management
Rob Wassmer, California State University Sacramento
Ron Fisher, Michigan State University
Cody Arledge, Sheet Metal Workers Local 66
Chris Thompson, Independent Colleges of Washington
Michelle Thomas, Washington Low Income Housing Alliance
Stan Bowman, American Institute of Architects Washington Council
Rebecca Johnson, Washington State Labor Council
Doug Levy, Outcomes by Levy

Chair Jim McIntire, State Treasurer called the meeting to order at 8:40 am on October 21, 2011.

Chair McIntire introduced Rebekah Johnson who was the designated sub for Jeff Johnson.

Chair McIntire asked if there were any changes or additions to the agenda. There were none.

Chair McIntire proposed that the minutes from both the September 9th and October 6th minutes be approved. The motion was moved by Senator Derek Kilmer, seconded by Ruta Fanning and approved unanimously.

Chair McIntire introduced Rob Wassmer and Ron Fisher contracted to brief the commission on comparisons in state debt. Representative Hans Dunshee asked why the state wouldn't include higher education capital debt in its evaluation of the state's debt burden since the state uses its full faith and credit to back the universities' bonds. Ms. Evans replied that universities currently are more likely to tie their bonds to a specific revenue source without holding the state responsible in case of default. Chair McIntire added that although the state has no legal obligation to the bonds, the state's reputation would be impacted by a potential default by a higher education institution. Ruta Fanning requested clarification as to what gas tax revenue could be used for other than transportation infrastructure. Representative Warnick asked why 2007 was the most recent data available. Mr. Wassmer replied that 2007 is the most recent data available from the census. Chair McIntire requested that Mr. Wassmer evaluate the 2008 debt numbers from Moody's since Washington increased its debt load during that year. Ms. Fanning requested clarification as to the value of state comparisons. Jim Shoemake asked how K-12 school debt is viewed. Chair McIntire replied that the school's portion of the debt is considered local government debt while the state's matching portion is considered state debt.

The commission took a 10 minute break.

Ms. Evans provided a summary of the difference between the constitutional debt limit and the statutory debt limit.

Senator Derek Kilmer questioned the value of state comparisons in debt management. Senator Parlette highlighted the income disparity between eastern and western Washington. Chair McIntire indicated that financial firms found Washington's debt to be an attractive addition to their portfolio but that they were not interested in adding too much more. Ms. Fanning asked for clarification about the timeline between project authorization by the legislature and selling of bonds to pay for said project.

Nona Snell, Brian Sims, and Susan Howson provided an outline of the constitutional debt limit. Dr. Kathleen Ross both inquired about how senate bill SB 5181 related to debt that is not included in the constitutional debt limit. Ms. Fanning requested clarification regarding the commission's scope. Kriss Sjoblom stated that the commission's work should focus on two aspects of state debt: average state revenue spent on debt service and the volatility of that debt service. Representative Dunshee summarized the previous legislative session's experience of running different models that averaged the debt limit over different periods of time.

The commission broke for lunch.

Nona Snell outlined the commission member survey questions and results. The Commission members discussed various options for the next steps the commission should take in making its recommendation.

Chair McIntire adjourned the meeting at 1:15 pm.