

t6678m693



## THE BOND BUYER

The Latest (1/5)

# Washington State's capital budget conundrum

By Kyle Glazier

Published August 03 2017, 10:18am EDT

More in [Bonds](#), [Budgets](#), [State of Washington](#)

 Print

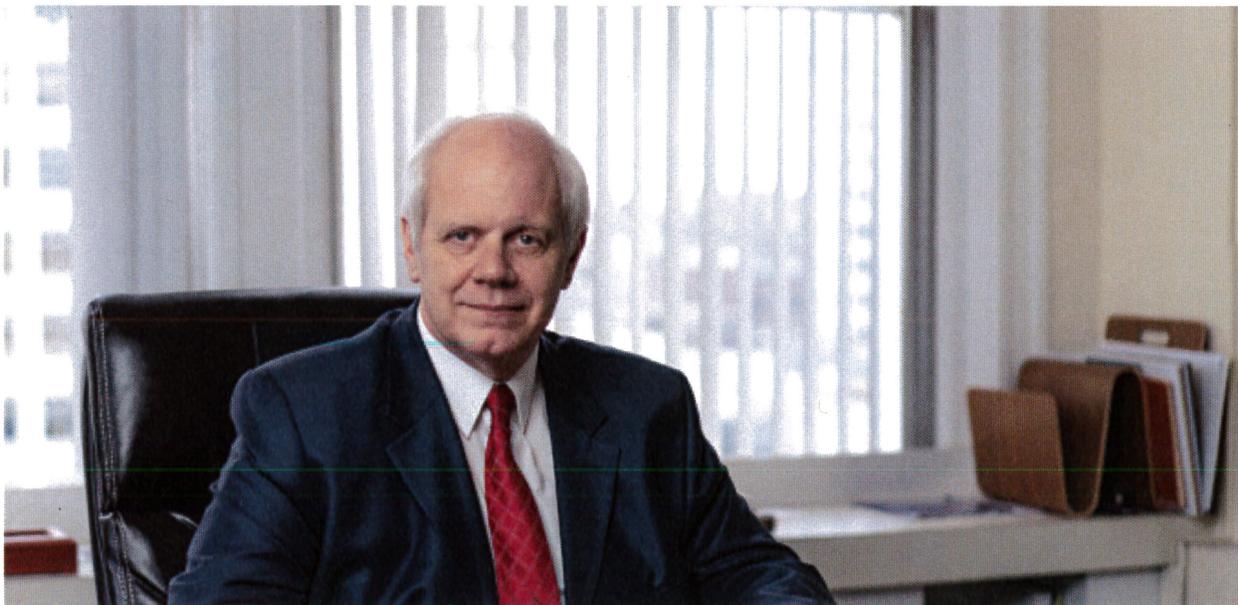
 Email

 Reprints

 Share

PHOENIX – Washington State is without a multi-billion dollar capital budget that would allow debt issuance for public needs, in what state leaders say is a further reflection of how “new politics” is undermining the municipal market.

The Washington legislature adjourned from its third special session last month without approving a roughly \$4 billion 2017-2019 capital budget, the money that pays for state-authorized and often bond-funded projects such as schools, parks, and state assistance to local projects. The state barely managed to pass an operating budget before July began, which averted a government shutdown. But Treasurer Duane Davidson is warning of the effects that having no capital budget will have.





Washington Treasurer Duane Davidson said new capital projects will not go forward until a new capital budget is passed.

"The lack of a new capital budget to date, shouldn't impact capital projects that had been approved in previous years, for which construction is still taking place," Davidson said in an explanation posted to his official website. "Many projects in the capital budget take longer than the two-year budget cycle to complete. In this case, the appropriations that were approved for the project in a previous budget are reauthorized to be spent in the current budget period. Funds for these ongoing projects were authorized by the legislature earlier this year.

"In contrast, potential new capital projects won't be able to receive financing until they are approved by the legislature," Davidson said. "How long they might be delayed depends on the circumstances of the individual project, and exactly when a new capital budget is indeed passed."

Washington has been far from alone in its budget troubles this year, illustrating what some analysts have said might be a new normal in brinkmanship budget negotiations that may hurt investors.

Alaska came within days of a government shutdown, and its legislature's ultimate failure to pass meaningful financial reform led to another ratings downgrade and potentially higher borrowing costs going forward. And some localities continue to struggle with budget issues into August, though those cases sometimes arise because it's becoming very difficult to find even the minimum needed funds. Hartford, Conn., is on the edge of insolvency and has asked Connecticut for an additional \$40 million in aid. But the state, downgraded multiple times itself, has been operating without a fiscal 2018 budget.

Davidson said that its possible Washington will be without the capital budget until the next regular legislative session begins again in January.

The budget has been held up by a combination of legal and political issues stemming from a Washington State Supreme Court decision in October 2016. In *Whatcom County v. Hirst, Futurewise, et al.*, the state's top court ruled that the county failed to comply with legal requirements to protect water resources and needed to make its own determination about water availability, rather than relying on the state Department of Ecology. The ruling means that unless the legislature passes a new law superseding the court's ruling, Washington Counties must now make an independent decision about legal water availability before they can issue building permits that would rely on a well.

"Counties don't have the expertise or financial resources to prepare this type of information," the Washington State Association of Counties said in a release last month.

The issue, crucial to rural counties and property owners, swiftly became a political flashpoint in the third special session. Republicans and Democrats blamed each other for the failure to pass either a water rights bill addressing Hirst or a new capital budget, with the rhetoric becoming heated in the days following the third special session's adjournment July 20.

"Senate Republicans will defend the indefensible," said Sen. Sharon Nelson, a Seattle-area Democrat who leads the Senate Democratic Caucus. "They will continue to manufacture a narrative that links Hirst to the capital budget that simply doesn't exist. The fact of the matter is this was a sloppy attempt at political hostage taking with no plan on what to do beyond the initial kidnapping."

Washington Gov. Jay Inslee, a Democrat, also weighed in, saying the capital budget would have provided money for the construction of several major school projects in the state.

"Senate Republicans are playing politics with this budget that creates jobs, improves safety in schools and keeps our economy moving forward," Inslee said in a statement.

But Republicans said the real problem lay with Democrats in the State House of Representatives, who refused to vote on a long-term Hirst fix and instead offered short-term bills not acceptable to Republicans.

"Rural families will face bankruptcy and worse if this ruling is allowed to stand, and those who are not directly affected will see dramatic increases in their property taxes," said Sen.

Judy Warnick, R-Moses Lake, chair of the Senate Agriculture, Water and Rural Economic Development Committee. "Yet it has taken a threat to the capital budget to get the House to take notice. We've heard the governor claim it is 'morally repugnant' to hold up the capital budget. But what is repugnant is to cause misery and hardship for rural Washington over a matter of urban environmental ideology. Where the capital budget is concerned, Hirst comes first."

---



## Kyle Glazier

Kyle Glazier is a reporter covering market trends, infrastructure, and the Far West region for The Bond Buyer.



### More from this Author

[Lucy Hooper of Davenport will take over as MSRB chair on Oct 1](#)

[SEC probes Babylon, N.Y. municipal advisor](#)

[SEC approves MSRB rules changes on customer account transfers](#)

---

## Comments

Posting as **t6678m693**

[Edit name](#)

Add your comments here