



# SENATE JOINT RESOLUTION 8206

## PROPOSED CONSTITUTIONAL AMENDMENT

**Vote cast by the 1999 Legislature on final passage:**

Senate: Yeas, 37; Nays, 6; Absent 3; Excused, 3.

House: Yeas, 95; Excused, 3.

**Note:** The ballot title and explanatory statement were written by the Attorney General as required by law. The complete text of Senate Joint Resolution 8206 begins on page 14.

### Statement For

#### VOTE YES ON SJR 8206 - SAVE MILLIONS IN LOCAL TAX DOLLARS

The State of Washington enjoys the highest credit rating in our state's history. Let's use our good credit to benefit local school districts! By using the state's strong credit rating, our school districts will be able to borrow money for school construction at significantly lower interest rates.

#### THE STATE'S GUARANTEE WILL SAVE LOCAL TAX DOLLARS

\$13,500,000 in taxpayer savings will be achieved in the first 15 years alone. Four out of five districts currently buy bond insurance, which costs each school district \$50,000-\$100,000 per year. With the State's guarantee, bond insurance will be unnecessary.

Nationally, this program has been highly successful. Twenty-three states, including Oregon, use this common sense approach to stretch dollars spent on our children's education. Let's make smarter use of our property tax dollars.

#### NO IMPACT ON THE STATE'S DEBT

Because of SJR 8206, the State of Washington will stand behind local school districts by guaranteeing their debt. SJR 8206 will further enhance the existing strength and ability of local school districts to wisely manage school construction monies.

The state's guarantee will not alter a school district's responsibility to pay its own bonds. However, it will reduce future property taxes due to the savings gained.

#### SJR 8206 IS GOOD COMMON SENSE AND GOOD FOR OUR SCHOOLS

## Official Ballot Title:

Shall the constitution be amended to permit the state to guarantee payment of voter-approved general obligation debt of school districts, as authorized by law?

### The law as it now exists:

The state government and local governments sometimes borrow money to finance the acquisition of property, construction of buildings, roads, or other improvements, or some other capital purpose. Governments pay interest on their borrowings, and the interest rate is set by the financial market. Governments with strong taxing power and a large tax base generally pay lower interest than governments with

### Rebuttal of Statement Against

- Washington's Constitution **does not** prohibit the state from helping local school districts.
- SJR 8206 will provide a **no-cost** state guarantee, which will **reduce** your school district's classroom and facility financing costs.
- **Only voter-approved** bonds are eligible to participate under SJR 8206. School district accountability is maintained.
- School boards are fiscally responsible to the voters and the **vote** to support schools is a **Yes Vote**.
- This program will **save taxpayer dollars**.

### Voters Pamphlet Statement Prepared by:

MICHAEL J. MURPHY, State Treasurer; AL BAUER, State Senator; CLYDE BALLARD, State Representative.

Advisory Committee: WARREN SMITH, Past President & Current Member, Bethel School Board; JOHN KNUTSON, Executive Director, Finance & Budget Wenatchee School District; JUDY OWENS, Member, Public School Employees of Washington; FORREST WALLS, Partner, Preston Gates & Ellis; DR. BEN ACKER, Superintendent, Castle Rock School District.

more limited authority to raise funds because they can demonstrate a greater ability to pay off their debts, making their debts a safer investment.

Because the state has strong taxing powers, and also because of a history of prudent management of state funds, the state pays a relatively low rate of interest when it issues bonds or otherwise borrows money. Although the state provides some funding for school construction, local districts often must incur additional debt to meet state matching requirements, or to cover capital costs for which state funding is not available. This debt is usually repaid with local property taxes. Compared with the state government, school districts have a much more limited ability to levy taxes or raise funds. Thus, they often pay interest at higher rates on bonds issued for capital purposes. This is particularly true for districts with small tax bases. The state constitution currently has no provision permitting the state to guarantee local school district debt.

## **The effect of Senate Joint Resolution 8206, if approved into law:**

If adopted, this measure would change the constitution to specifically authorize the state to pledge its full faith, credit, and taxing power to guarantee the voter-approved general obligation debts of school districts. The measure would authorize the Legislature to prescribe the manner in which the state guarantees of school district debt would be accomplished. The measure provides that a state guarantee would not remove the debt obligation of a school district. State-guaranteed school district debt would not be counted toward the state's debt limit, nor considered state debt for other purposes. With the state guarantee backing their debt, school districts would be able to borrow money at lower interest rates, reducing the total amount to be repaid.

### **Statement Against**

Washington State's Constitution prohibits the giving or loaning of the state's credit to anyone. This constitutional provision has prevented the state from underwriting the debt of persons, associations, corporations and the like. It has also prevented the state taxpayers from acting as a co-signer for and becoming involved in the financial affairs of those same entities. SJR 8206 would change our Constitution and expose state taxpayers to the financial risk incurred by school districts.

Some school districts manage their financial affairs responsibly, some do not. Allowing the state to guarantee indebtedness incurred by others shifts responsibility from those making financial decisions to the state taxpayers. It will encourage greater spending, more risk, and will reward the irresponsible at the expense of all Washington citizens.

Changing our Constitution for this purpose is a bad idea. Local control requires that school boards be responsible for frugal management. Placing all state taxpayers in the position of co-signers rewards debt ridden districts and punishes those fiscally responsible.

Vote NO on SJR 8206. Keep your school district independent, responsible, and accountable to you.

### **Rebuttal of Statement For**

Proponents say the state of Washington will stand behind local districts by guaranteeing their debt, regardless of risk. Taxpayers, that means you. Your state credit rating is high because the Constitution doesn't allow your state's credit to be given or loaned to anyone. Our credit rating could be jeopardized by the actions of the least responsible school district. Our Constitution currently prevents that from happening. Don't change our Constitution. Vote NO on SJR 8206.

#### **Voters Pamphlet Statement Prepared by:**

HAROLD HOCHSTATTER, State Senator.

Advisory Committee: VALERIA BARSCHAW, citizen; DAN EBY, State Chair, American Heritage Party; VAL STEVENS, State Senator.



## COMPLETE TEXT OF Senate Joint Resolution 8206

BE IT RESOLVED, BY THE SENATE AND HOUSE OF REPRESENTATIVES OF THE STATE OF WASHINGTON, IN LEGISLATIVE SESSION ASSEMBLED:

THAT, At the next general election to be held in this state the secretary of state shall submit to the qualified voters of the state for their approval and ratification, or rejection, an amendment to Article VIII, section 1 of the Constitution of the state of Washington to read as follows:

Article VIII, section 1. (a) The state may contract debt, the principal of which shall be paid and discharged within thirty years from the time of contracting thereof, in the manner set forth herein.

(b) The aggregate debt contracted by the state shall not exceed that amount for which payments of principal and interest in any fiscal year would require the state to expend more than nine percent of the arithmetic mean of its general state revenues for the three immediately preceding fiscal years as certified by the treasurer. The term "fiscal year" means that period of time commencing July 1 of any year and ending on June 30 of the following year.

(c) The term "general state revenues" when used in this section, shall include all state money received in the treasury from each and every source whatsoever except: (1) Fees and revenues derived from the ownership or operation of any undertaking, facility, or project; (2) Moneys received as gifts, grants, donations, aid, or assistance or otherwise from the United States or any department, bureau, or corporation thereof, or any person, firm, or corporation, public or private, when the terms and conditions of such gift, grant, donation, aid, or assistance require the application and disbursement of such moneys otherwise than for the general purposes of the state of Washington; (3) Moneys to be paid into and received from retirement system funds, and performance bonds and deposits; (4) Moneys to be paid into and received from trust funds including but not limited to moneys received from taxes levied for specific purposes and the several permanent and irreducible funds of the state and the moneys derived therefrom but excluding bond redemption funds; (5) Proceeds received from the sale of bonds or other evidences of indebtedness.

(d) In computing the amount required for payment of principal and interest on outstanding debt under this section, debt shall be construed to mean borrowed money represented by bonds, notes, or other evidences of indebtedness which are secured by the full faith and credit of the state or are required to be repaid, directly or indirectly, from general state revenues and which are incurred by the state, any department, authority, public corporation, or quasi public corporation of the state, any state university or college, or any other public agency created by the state but not by counties, cities, towns, school districts, or other municipal corporations, but shall not include obligations for the payment of current expenses of state government, nor shall it

include debt hereafter incurred pursuant to section 3 of this article, obligations guaranteed as provided for in subsection ~~((f))~~ (g) of this section, principal of bond anticipation notes or obligations issued to fund or refund the indebtedness of the Washington state building authority.

(e) The state may pledge the full faith, credit, and taxing power of the state to guarantee the voter approved general obligation debt of school districts in the manner authorized by the legislature. Any such guarantee does not remove the debt obligation of the school district and is not state debt.

~~((f))~~ (h) The state may, without limitation, fund or refund, at or prior to maturity, the whole or any part of any existing debt or of any debt hereafter contracted pursuant to section 1, section 2, or section 3 of this article, including any premium payable with respect thereto and interest thereon, or fund or refund, at or prior to maturity, the whole or any part of any indebtedness incurred or authorized prior to the effective date of this amendment by any entity of the type described in subsection ~~((g))~~ (h) of this section, including any premium payable with respect thereto and any interest thereon. Such funding or refunding shall not be deemed to be contracting debt by the state.

~~((f))~~ (g) Notwithstanding the limitation contained in subsection (b) of this section, the state may pledge its full faith, credit, and taxing power to guarantee the payment of any obligation payable from revenues received from any of the following sources: (1) Fees collected by the state as license fees for motor vehicles; (2) Excise taxes collected by the state on the sale, distribution or use of motor vehicle fuel; and (3) Interest on the permanent common school fund: *Provided*, That the legislature shall, at all times, provide sufficient revenues from such sources to pay the principal and interest due on all obligations for which said source of revenue is pledged.

~~((g))~~ (h) No money shall be paid from funds in custody of the treasurer with respect to any debt contracted after the effective date of this amendment by the Washington state building authority, the capitol committee, or any similar entity existing or operating for similar purposes pursuant to which such entity undertakes to finance or provide a facility for use or occupancy by the state or any agency, department, or instrumentality thereof.

~~((h))~~ (i) The legislature shall prescribe all matters relating to the contracting, funding or refunding of debt pursuant to this section, including: The purposes for which debt may be contracted; by a favorable vote of three-fifths of the members elected to each house, the amount of debt which may be contracted for any class of such purposes; the kinds of notes, bonds, or other evidences of debt which may be issued by the state; and the manner by which the treasurer shall determine and advise the legislature, any appropriate agency, officer, or instrumentality of the state as to the available debt capacity within the limitation set forth in this section. The legislature may delegate to any state officer, agency, or instrumentality any of its powers relating to the contracting, funding or refunding of debt pursuant to this section except its power to determine the amount and purposes for which debt may be contracted.

~~((i))~~ (j) The full faith, credit, and taxing power of the state of Washington are pledged to the payment of the debt cre-





**COMPLETE TEXT OF  
Senate Joint Resolution 8206**

(continued)

ated on behalf of the state pursuant to this section and the legislature shall provide by appropriation for the payment of the interest upon and installments of principal of all such debt as the same falls due, but in any event, any court of record may compel such payment.

((†)) (k) Notwithstanding the limitations contained in subsection (b) of this section, the state may issue certificates of indebtedness in such sum or sums as may be necessary to meet temporary deficiencies of the treasury, to preserve the best interests of the state in the conduct of the various state institutions, departments, bureaus, and agencies during each fiscal year; such certificates may be issued only to provide for appropriations already made by the legislature and such certificates must be retired and the debt discharged other than by refunding within twelve months after the date of incurrence.

((†)) (l) Bonds, notes, or other obligations issued and sold by the state of Washington pursuant to and in conformity with this article shall not be invalid for any irregularity or defect in the proceedings of the issuance or sale thereof and shall be incontestable in the hands of a bona fide purchaser or holder thereof.

BE IT FURTHER RESOLVED, That the secretary of state shall cause notice of this constitutional amendment to be published at least four times during the four weeks next preceding the election in every legal newspaper in the state.



**COMPLETE TEXT OF  
Substitute Senate  
Joint Resolution 8208**

BE IT RESOLVED, BY THE SENATE AND HOUSE OF REPRESENTATIVES OF THE STATE OF WASHINGTON, IN LEGISLATIVE SESSION ASSEMBLED:

THAT, At the next general election to be held in this state the secretary of state shall submit to the qualified voters of the state for their approval and ratification, or rejection, an amendment to Article XXIX, section 1 of the Constitution of the state of Washington to read as follows:

Article XXIX, section 1. Notwithstanding the provisions of sections 5, and 7 of Article VIII and section 9 of Article XII or any other section or article of the Constitution of the state of Washington, the moneys of any public pension or retirement fund ((†)), industrial insurance trust fund, or the emergency reserve fund may be invested as authorized by law.

BE IT FURTHER RESOLVED, That the secretary of state shall cause notice of this constitutional amendment to be published at least four times during the four weeks next preceding the election in every legal newspaper in the state.

**SPECIAL NOTE:** The following is the complete text of Chapter 273, Laws of 1999. Although this measure will *not* be voted upon at the state general election on November 2, 1999, it contains the implementing statutes for Senate Joint Resolution 8206 and will become effective if that proposed constitutional amendment is approved by a majority of the voters. The text of this law is included to facilitate each voter's understanding of the effect of the adoption of that proposed amendment to the state Constitution.

**ENGROSSED SECOND SUBSTITUTE  
SENATE BILL 5345**

AN ACT Relating to the Washington state school district credit enhancement program; amending RCW 39.42.060; adding a new chapter to Title 39 RCW; and providing a contingent effective date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

**NEW SECTION. Sec. 1.** The legislature finds that implementation of the credit enhancement program provided for in this chapter can provide substantial savings to the taxpayers of the state of Washington with minimal cost or risk to the state government. The guaranty provided by pledging the credit of the state to the payment of voter-approved school district general obligation bonds will encourage lower interest rates, and therefore lower taxes, for such bonds than school districts alone can command, despite the excellent credit history of such obligations. Any such guarantee does not remove the debt obligation of the school district and is not state debt.

**NEW SECTION. Sec. 2.** The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Bond" means any voted general obligation bond issued by a school district, holding a certificate issued pursuant to this chapter for such a bond.

(2) "Credit enhancement program" means the school district bond guaranty established by this chapter.

(3) "General obligation bond" means any bond, note, warrant, certificate of indebtedness, or other obligation of a district that constitutes an indebtedness within the meaning of any applicable constitutional or statutory debt limitations.

(4) "Paying agent" means the paying agent selected, from time to time, for a bond issue pursuant to state law.

(5) "Refunding bond" means any general obligation bond issued by a district for the purpose of refunding its outstanding general obligation bonds.

(6) "School district" or "district" means any school district existing now or later under the laws of the state.

**NEW SECTION. Sec. 3.** (1)(a) The full faith, credit, and taxing power of the state is pledged to guarantee full and timely payment of the principal of and interest on bonds as such payments become due. However, in the event of any acceleration of the due date of the principal by reason of mandatory redemption or acceleration resulting from