



SUBSTITUTE SENATE JOINT RESOLUTION 8208

PROPOSED CONSTITUTIONAL AMENDMENT

Vote cast by the 1999 Legislature on final passage:

Senate: Yeas, 42; Nays, 5; Excused, 2.

House: Yeas, 96; Excused, 2.

Note: The ballot title and explanatory statement were written by the Attorney General as required by law. The complete text of Substitute Senate Joint Resolution 8208 begins on page 15.

Statement For

HOW SJR 8208 WORKS: IT'S GOOD FOR SCHOOLS AND TAXPAYERS

Voters established the emergency reserve fund when they approved a state spending limit. Tax dollars collected in excess of the spending limit are placed in reserve. When this reserve equals five percent of the state budget, taxes collected over that amount can go to build new schools and higher education facilities. And the reserve fund is an important safety net protecting taxpayers and state programs against tax increases in times of economic trouble.

SJR 8208: A SMART INVESTMENT FOR SCHOOLS AND TAXPAYERS

Taxpayers deserve the highest rate of return possible on tax dollars invested on their behalf. SJR 8208 does that by allowing money in the state's emergency reserve fund to be invested in stocks and bonds that can produce higher investment earnings. Higher earnings mean a larger emergency reserve fund and a better chance that it will grow large enough to fund school construction.

COMMON SENSE CHANGE THAT MEANS MILLIONS

Investment of reserve funds currently is limited to low-return investments like savings certificates and bonds. SJR 8208 permits investing in stocks with better returns — up to three times better over the last five years — than gains from the conservative investments currently allowed. Investments will follow the same rules as investments made for state pension funds and worker compensation funds. This common sense change may mean millions in earnings.

Official Ballot Title:

Shall the state constitution be amended to permit the Emergency Reserve Fund to be invested as the legislature may authorize by law?

The law as it now exists:

The state constitution generally limits the investment of state funds. Article VIII, sections 5 and 7 and article XII, section 9 prohibit the investment of state funds in the stocks and bonds of private companies, associations, or corporations. As a result, state funds can generally be invested only in savings certificates and in the obligations of government agencies. Constitutional amendments adopted in 1968 and in 1985 permit the legislature to determine how public

A SMART CHANGE FOR SCHOOLS AND TAXPAYERS

Three times voters have said tax money could be invested as proposed by SSJR 8208 and taxpayers, retirees, employees and employers have all benefited.

Democrats and Republican legislators agree: Smart investment of emergency reserve funds is good for schools and taxpayers.

Vote "Yes" on SJR 8208.

Voters Pamphlet Statement Prepared by:

JAMES WEST, State Senator; VALORIA LOVELAND, State Senator; HELEN SOMMERS, State Representative.

Statement Against

State law requires that the argument and rebuttal statement against a constitutional amendment be written by one or more members of the state Legislature who voted against that proposed measure on final passage or, in the event that no such member of the Legislature consents to prepare the statement, by any other responsible individual or individuals to be appointed by the Speaker of the House of Representatives, the President of the State Senate, and the Secretary of State. No legislator who voted against Substitute Senate Joint Resolution 8208 or other individual opposing the measure consented to write an argument against the measure for publication in this pamphlet.

pension and retirement funds and industrial insurance (worker's compensation) funds may be invested. These amendments are contained in article XXIX, section 1 of the constitution.

The emergency reserve fund was created by Initiative Measure No. 601 in 1993. Initiative 601 directs the state treasurer to place in the emergency reserve fund all revenues received by the general fund in excess of the state expenditure limit for each fiscal year. Because the emergency reserve fund is not covered by article XXIX, section 1 of the state constitution, this fund is still subject to the investment limitations imposed by the original constitution.

The effect of Substitute Senate Joint Resolution 8208, if approved into law:

If adopted, this measure would remove the investment limitations on the emergency reserve fund by adding this fund to the list contained in article XXIX, section 1 of the state constitution. The legislature would be authorized to determine by law how the emergency reserve fund could be invested.

(continued from page 5)



INITIATIVE MEASURE 695

The law as it now exists (continued):

sonal property, not otherwise exempt, for each property owner. However, the exemption does not apply to private motor vehicles or motor homes.

There is also a state excise tax on travel trailers and campers. The rate for this tax is 1.1% of the value of the travel trailer or camper, based on the suggested retail price of a new trailer or camper, and gradually reduced depending on the age of the vehicle from 100% of value in the first year of service to 20% of value in the 16th and later years of service. This tax is remitted to the state and distributed to cities and towns, counties, and schools. These provisions are found in RCW 82.50.

RCW 82.50.530 exempts travel trailers and campers from ad valorem property tax, except for trailers that are permanently fixed to the land.

The effect of Initiative Measure 695, if approved into law:

The measure would require voter approval for any increases in taxes, fees, or monetary charges imposed by the state or by local government. The term "tax" for this purpose would include sales and use taxes, property taxes, business and occupation taxes, excise taxes, fuel taxes, license fees, permit fees, impact fees, and any monetary charge by government. The term "tax" would not include higher education tuition or civil and criminal fines and penalties. The term "state" would include the state itself, all state agencies and departments, any city, county, special district, and any other political subdivision or governmental instrumentality of or within the state.

If approved, this measure would repeal the existing fees and excise taxes for most motor vehicles and would impose a license tab fee for each vehicle of \$30 per year, regardless of the type, age, or value of the vehicle. The new fee would include cars, sport utility vehicles, motorcycles, and motor homes. The measure would repeal specified license

fees in RCW 46.16, the motor vehicle excise taxes imposed in RCW 82.44, and the excise taxes on travel trailers and campers in RCW 82.50. The measure would not repeal the schedule of license fees for heavy trucks, buses, and for hire vehicles with a declared gross weight of 4,000 pounds or more, but it would repeal the excise taxes imposed on the use of these vehicles.

The measure would also repeal RCW 82.44.130 and RCW 82.50.530, the laws which exempt motor vehicles, travel trailers, and campers from ad valorem property taxes. The measure would not amend or revise the property tax laws. Whether the repeal of these exemptions would subject motor vehicles to assessment and collection of personal property tax would depend on how the law would be interpreted.

The measure would take effect January 1, 2000.



**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

default, the payments guaranteed shall be made in the amounts and at the times as payments of principal would have been due had there not been any acceleration.

(b) This guaranty does not extend to the payment of any redemption premium.

(c) Reference to this chapter by its title on the face of any bond conclusively establishes the guaranty provided to that bond under the provisions of this chapter.

(2)(a) The state pledges to and agrees with the owners of any bonds that the state will not alter, impair, or limit the rights vested by the credit enhancement program with respect to the bonds until the bonds, together with applicable interest, are fully paid and discharged. However, this chapter does not preclude an alteration, impairment, or limitation if full provision is made by law for the payment of the bonds.

(b) Each district may refer to this pledge and undertaking by the state in its bonds.

(3) Only validly issued bonds issued after the effective date of this section may be guaranteed under this chapter.

NEW SECTION. Sec. 4. (1)(a) Any district, by resolution of its board of directors, may request that the state treasurer issue a certificate evidencing the state's guaranty, under this chapter, of its bonds.

(b) After reviewing the request, if the state treasurer determines that the district is eligible under rules adopted by the state finance committee, the state treasurer shall promptly issue the certificate as to specific bonds of the district and provide it to the requesting district.

(c)(i) The district receiving the certificate and all other persons may rely on the certificate as evidencing the guaranty for bonds issued within one year from and after the date of the certificate, without making further inquiry during that year.

(ii) The certificate of eligibility is valid for one year even if the state treasurer later determines that the school district is ineligible.

(2) Any district that chooses to forego the benefits of the guaranty provided by this chapter for a particular issue of bonds may do so by not referring to this chapter on the face of its bonds.

(3) Any district that has bonds, the principal of or interest on which has been paid, in whole or in part, by the state under this chapter, may not issue any additional bonds guaranteed by this chapter until:

(a) All payment obligations of the district to the state under the credit enhancement program are satisfied; and

(b) The state treasurer and the state superintendent of public instruction each certify in writing, to be kept on file by the state treasurer and the state superintendent of public instruction, that the district is fiscally solvent.

(4) The state finance committee may establish by rule fees sufficient to cover the costs of administering this chapter.

NEW SECTION. Sec. 5. (1)(a) The county treasurer for each district with outstanding, unpaid bonds shall transfer money sufficient for each scheduled debt service payment to its paying agent on or before any principal or interest payment date for the bonds.

(b) A county treasurer who is unable to transfer a scheduled debt service payment to the paying agent on the transfer date shall immediately notify the paying agent and the state treasurer by:

(i) Telephone;

(ii) A writing sent by facsimile or electronic transmission; and

(iii) A writing sent by first class United States mail.

(2) If sufficient funds are not transferred to the paying agent as required by subsection (1) of this section, the paying agent shall immediately notify the state treasurer of that failure by:

(a) Telephone;

(b) A writing sent by facsimile or electronic transmission; and

(c) A writing sent by first class United States mail.

(3)(a) If sufficient money to pay the scheduled debt service payment have not been so transferred to the paying agent, the state treasurer shall, forthwith, transfer sufficient money to the paying agent to make the scheduled debt service payment.

(b) The payment by the state treasurer:

(i) Discharges the obligation of the issuing district to its bond owners for the payment, but does not retire any bond that has matured. The terms of that bond remain in effect until the state is repaid; and

(ii) Transfers the rights represented by the general obligation of the district from the bond owners to the state.

(c) The district shall repay to the state the money so transferred as provided in this chapter.

NEW SECTION. Sec. 6. (1) Any district that has issued bonds for which the state has made all or part of a debt service payment shall:

(a) Reimburse all money drawn by the state treasurer on its behalf;

(b) Pay interest to the state on all money paid by the state from the date that money was drawn to the date the state is repaid at a rate to be prescribed by rule by the state finance committee; and

(c) Pay all penalties required by this chapter.

(2)(a) The state treasurer shall establish the reimbursement interest rate after considering the circumstances of any prior draws by the district on the state, market interest and penalty rates, and the cost of funds or opportunity cost of investments, if any, that were required to be borrowed or liquidated by the state to make payment on the bonds.

(b) The state treasurer may, after considering the circumstances giving rise to the failure of the district to make payment on its bonds in a timely manner, impose on the district a penalty of not more than five percent of the amount paid by the state pursuant to its guaranty for each instance in which a payment by the state is made.

(3)(a)(i) If the state treasurer determines that amounts obtained under this chapter will not reimburse the state in full within one year from the state's payment of a district's scheduled debt service payment, the state treasurer may pursue any legal action, including mandamus, against the district to compel it to meet its repayment obligations to the state.

(ii) In pursuing its rights under (a)(i) of this subsection, the

state shall have the same substantive and procedural rights as would a holder of the bonds of a district. If and to the extent that the state has made payments to the holders of bonds of a district under section 5 of this act and has not been reimbursed by the district, the state shall be subrogated to the rights of those bond holders.

(iii) The state treasurer may also direct the district and the appropriate county officials to restructure and revise the collection of taxes for the payment of bonds on which the state treasurer has made payments under this chapter and, to the extent permitted by law, may require that the proceeds of such taxes be applied to the district's obligations to the state if all outstanding obligations of the school district payable from such taxes are fully paid or their payment is fully provided for.

(b) The district shall pay the fees, expenses, and costs incurred by the state in recovering amounts paid under the guaranty authorized by this chapter.

NEW SECTION. Sec. 7. In order to effect the provisions of Article VIII, section 1(e) of the state Constitution, Senate Joint Resolution No. 8206, the legislature shall make provision for such amounts as may be required to make timely payments under the state school district credit enhancement program under this chapter in each and every biennial appropriations act.

NEW SECTION. Sec. 8. The state finance committee may adopt, under chapter 34.05 RCW, all rules necessary and appropriate for the implementation and administration of this chapter.

Sec. 9. RCW 39.42.060 and 1997 c 220 s 220 (Referendum Bill No. 48) are each amended to read as follows:

No bonds, notes, or other evidences of indebtedness for borrowed money shall be issued by the state which will cause the aggregate debt contracted by the state to exceed that amount for which payments of principal and interest in any fiscal year would require the state to expend more than seven percent of the arithmetic mean of its general state revenues, as defined in section 1(c) of Article VIII of the Washington state Constitution for the three immediately preceding fiscal years as certified by the treasurer in accordance with RCW 39.42.070. It shall be the duty of the state finance committee to compute annually the amount required to pay principal of and interest on outstanding debt. In making such computation, the state finance committee shall include all 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 paid, 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, and shall include debt incurred pursuant to section 3 of Article VIII of the Washington state Constitution, but shall exclude the following:

(1) Obligations for the payment of current expenses of

state government;

(2) Indebtedness incurred pursuant to RCW 39.42.080 or 39.42.090;

(3) Principal of and interest on bond anticipation notes;

(4) Any indebtedness which has been refunded;

(5) Financing contracts entered into under chapter 39.94 RCW;

(6) Indebtedness authorized or incurred before July 1, 1993, pursuant to statute which requires that the state treasury be reimbursed, in the amount of the principal of and the interest on such indebtedness, from money other than general state revenues or from the special excise tax imposed pursuant to chapter 67.40 RCW;

(7) Indebtedness authorized and incurred after July 1, 1993, pursuant to statute that requires that the state treasury be reimbursed, in the amount of the principal of and the interest on such indebtedness, from (a) moneys outside the state treasury, except higher education operating fees, (b) higher education building fees, (c) indirect costs recovered from federal grants and contracts, and (d) fees and charges associated with hospitals operated or managed by institutions of higher education;

(8) Any agreement, promissory note, or other instrument entered into by the state finance committee under RCW 39.42.030 in connection with its acquisition of bond insurance, letters of credit, or other credit support instruments for the purpose of guaranteeing the payment or enhancing the marketability, or both, of any state bonds, notes, or other evidence of indebtedness; (~~and~~)

(9) Indebtedness incurred for the purposes identified in RCW 43.99N.020; and

(10) Indebtedness incurred for the purposes of the school district bond guaranty established by chapter 39.-- RCW (sections 1 through 8 of this act).

To the extent necessary because of the constitutional or statutory debt limitation, priorities with respect to the issuance or guaranteeing of bonds, notes, or other evidences of indebtedness by the state shall be determined by the state finance committee.

NEW SECTION. Sec. 10. This act takes effect January 1, 2000, if the proposed amendment to Article VIII, section 1 of the state Constitution, guaranteeing the general obligation debt of school districts, is validly submitted to and is approved and ratified by the voters at the next general election. If the proposed amendment is not approved and ratified, this act is void in its entirety.

NEW SECTION. Sec. 11. Sections 1 through 8 of this act constitute a new chapter in Title 39 RCW.