

Senate Joint Resolution**8225**

Proposed to the People by the Legislature
Amendment to the State Constitution:

The legislature has proposed a constitutional amendment concerning the limitation on state debt.

This amendment would require the state to reduce the interest accounted for in calculating the constitutional debt limit, by the amount of federal payments scheduled to be received to offset that interest.

Should this constitutional amendment be:

Approved

Rejected

Votes cast by the 2010 Legislature on final passage:

Senate: Yeas, 44; Nays, 0; Absent, 0; Excused, 5

House: Yeas, 69; Nays, 27; Absent, 0; Excused, 2

The Official Ballot Title and the Explanatory Statement were written by the Attorney General as required by law, and revised by the court. The Secretary of State is not responsible for the content of arguments or statements (WAC 434-381-180). The complete text of Senate Joint Resolution 8225 begins on page 102.

Explanatory Statement

Written by the Office of the Attorney General; revised by the court

The Constitutional Provision as it Presently Exists

Article VIII, section 1, of the Washington Constitution authorizes the state to borrow money, by issuing bonds, notes, and other evidences of indebtedness, to be repaid over time with interest. That provision of the state

constitution also sets a limit on the aggregate debt the state may assume. The aggregate debt contracted by the state cannot exceed an amount for which the payments of principal and interest in any fiscal year exceed nine percent of the average general state revenues for the previous three fiscal years. "General state revenues" are defined to include all money received by the state treasury from any source, with certain exceptions. Not all state debt is subject to the debt limit.

The Effect of the Proposed Amendment, if Approved

The proposed amendment would not change the constitutional debt limit. It would modify the annual calculation used to determine whether the state's debt is within the constitutional limit. The amendment would require the state, in annually calculating the amount required for payment of interest on its general obligation debt, to subtract scheduled federal payments to be received each year in respect of bonds, notes, or other evidences of indebtedness. Under the constitution, the debt the state may issue is based in part on the total amount of the state's annual principal and interest payments. Therefore, subtraction of federal payments to be credited against interest on the debt could affect the amount of aggregate debt that the state may incur.

Fiscal Impact Statement

Not required by law

Argument For Senate Joint Resolution 8225

This State Constitutional Amendment will reduce the cost to state taxpayers for schools, college and university buildings, parks and open space, community facilities, local infrastructure, prisons, and public buildings by reducing the net interest rate paid on General Obligation Bonds issued by the State.

The federal government has changed the way it subsidizes interest rates for bonds issued by state and local governments. This amendment changes the definition of "interest" in our State Constitution, to make State General Obligation Bonds eligible for this new federal subsidy, called "Build America Bonds." With this amendment, the state's constitutional debt limit would be calculated by using the "net" interest paid (after federal reimbursement) rather than the current "full" interest amount paid.

At present, state transportation bonds and local government bonds are eligible for – and are using – this benefit. Savings are substantial! Last October the state used these Bonds to borrow money for transportation projects and we saved \$63 million – enough to build a new ferry!

If we could do the same with state General Obligation Bonds it is estimated we can save taxpayers more than \$100 million during the next two years alone!

It does not change the state's constitutional debt limit. It would not obligate the state or federal government to more debt.

Please vote "yes" to lower state taxpayer cost of State General Obligation Bonds so that we can reduce the cost of projects for schools, colleges and universities, parks, community facilities, local infrastructure, prisons, and public buildings!

Rebuttal of Argument Against

SJR8225 does *not* increase debt and does *not* raise the state's constitutional debt limit.

Just like refinancing a home mortgage at a lower interest rate, this lets *scarce tax dollars stretch farther* and do more.

Local governments and state highway projects already *save money* using this method.

Why pay more than we have to – to build schools, parks, and public buildings?

Vote "yes" – Get more for your tax dollars!

Argument Prepared by

Jim L. McIntire, Washington State Treasurer; **Sen. Karen Fraser**, 22nd Legislative District, Capital Budget Chair; **Sen. Lisa Brown**, 3rd Legislative District, Senate Majority Leader; **Sen. Dale Brandland**, 42nd Legislative District, State Senator; **Daniel J. Evans**, former Washington State Governor and US Senator; **David Johnson**, Washington State Building and Construction Trades Council.

Contact: No information submitted

Argument Against Senate Joint Resolution 8225

Accounting gimmick would increase state taxpayer debt

The state's constitutional debt limit protects the integrity of our economy by preventing the state from borrowing more than it can reasonably pay back. Any changes to this could challenge the integrity of our state's economy.

The Washington State Constitution limits the general obligation debt by restricting the treasurer's authority to issue bonds exceeding 9 percent of the average general state revenue for the preceding three years. The treasurer issues debt limit bonds to finance capital projects and sells bonds twice a year to cover expected payments on construction projects.

SJR 8225 would amend our constitution to allow the interest calculation on debt used to determine the debt limit, by subtracting federal subsidies.

If approved, SJR 8225 would allow the treasurer to take on more debt. The state of Washington is in the midst of a budget crisis. Now is not the time to run the risk of over-extending the state's credit. Adding too much debt could have a devastating effect on the rest of Washington's investments and place enormous financial burdens on taxpayers and their children.

During the 2010 session the Legislature struggled to adopt an operating and capital budget because spending was outpacing revenues by billions of dollars. In the end, taxes were raised and a second measure was adopted that asks voters to approve additional borrowing beyond the state debt limit.

Now is the time for fiscal responsibility, not more debt through accounting gimmicks. Vote no on SJR 8225.

Rebuttal of Argument For

Do not be deceived. Savings are not created by increasing our borrowing capacity. *Build America Bonds* is a temporary federal program to subsidize temporary government jobs – burdening taxpayers with more long-term debt and giving more federal (IRS) control over state spending. The real winners? Wall Street – they've already made millions. Investors (of which many are foreign) have been flipping these bonds like houses. Sound familiar? Change our addiction to spending, not our Constitution. Vote no!

Argument Prepared by

Mike Hope, State Representative, 44th District; **Jim McCune**, State Representative, 2nd Legislative District.

Contact: No information submitted

Complete Text

Senate Joint Resolution 8225

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 (g) of this section, principal of bond anticipation notes or obligations issued to fund or refund

the indebtedness of the Washington state building authority. In addition, for the purpose of computing the amount required for payment of interest on outstanding debt under subsection (b) of this section and this subsection, "interest" shall be reduced by subtracting the amount scheduled to be received by the state as payments from the federal government in each year in respect of bonds, notes, or other evidences of indebtedness subject to this section.

(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) 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 (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.

(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.

(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.

(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.

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

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.

-- END --

Complete Text

Engrossed Substitute House Joint Resolution 4220

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 I, section 20 of the Constitution of the state of Washington to read as follows:

Article I, section 20. All persons charged with crime shall be bailable by sufficient sureties, except for capital offenses when the proof is evident, or the presumption great. Bail may be denied for offenses punishable by the possibility of life in prison upon a showing by clear and convincing evidence of a propensity for violence that creates a substantial likelihood of danger to the community or any persons, subject to such limitations as shall be determined by the legislature.

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.

-- END --



Political Party Contact Information

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