

## Engrossed Senate Joint Resolution

**8221**

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

**The Legislature has proposed a constitutional amendment on implementing the Commission on State Debt recommendations regarding Washington's debt limit.**

**This amendment would, starting July 1, 2014, phase-down the debt limit percentage in three steps from nine to eight percent and modify the calculation date, calculation period, and the term general state revenues.**

**Should this constitutional amendment be:**

Approved

Rejected

**Votes cast by the 2012 Legislature on final passage:**

Senate: Yeas, 38; Nays, 7; Absent, 0; Excused, 4

House: Yeas, 91; Nays, 7; Absent, 0; Excused, 0

The Official Ballot Title was written by the Legislature. The Explanatory Statement was written by the Office of the Attorney General as required by law. The Secretary of State is not responsible for the content of arguments or statements (WAC 434-381-180). The complete text of Engrossed Senate Joint Resolution 8221 is located at the end of this pamphlet.

## Explanatory Statement

Written by the Office of the Attorney General

### The Constitutional Provision as it Presently Exists

Article VIII, section 1 of the Washington State Constitution establishes a limit on the amount of certain debt the state may assume. It does so by limiting the annual cost of principal and interest payments the state may agree to pay. When contracting for new debt, the state may not agree to annual payments of principal and interest that would raise the total annual payments of principal and interest above nine percent of the average of the prior three years of "general state revenues," as defined by the Constitution.

Article VIII, section 1 defines "general state revenues" to be used in calculating the state debt limit. In general, the term includes all state moneys received in the state treasury that are not dedicated to a specific use. Examples of state moneys that are not part of "general state revenues" include fees or revenues derived from state ownership or operation of projects or facilities; federal and private grant moneys dedicated to specific purposes; money in retirement system funds; and money received from taxes levied for specific purposes (such as the state property tax, which is dedicated by statute to the support of common schools).

Not all state debt is subject to the debt limit in Article VIII, section 1. For example, bonds payable from the gas tax and motor vehicle license fees are excluded, as are bonds payable from income received from investing the Permanent Common School Fund.

Article VIII, section 1 pledges the full faith, credit, and taxing power of the state to the payment of debt created pursuant to the section.

### The Effect of the Proposed Amendment, if Approved

The amendment would change the calculations for determining how much debt Washington may assume. First, it would reduce the percentage rate used in calculating the state debt limit, from 9.0 percent of "general state revenues," as currently provided; to 8.5 percent starting July 1, 2014; 8.25 percent starting July 1, 2016; and 8.0 percent starting July 1, 2034. The amendment also would clarify that this percentage rate calculation is

applied at the time the state enters into contracts to assume debt.

Second, beginning July 1, 2014, the amount of new debt that may be contracted each year would be calculated based on the average of the prior six years of "general state revenues," rather than the prior three years, as it is currently.

Third, the amendment would change the definition of "general state revenues" to include the state property tax, starting July 1, 2014. This change would allow the state property tax to be included in "general state revenues" when calculating the debt limit. The state property tax is dedicated by statute to the support of common schools, and that dedication to schools would not be changed by the amendment.

---

## **Fiscal Impact Statement**

Written by the Office of Financial Management

Not required by law



### **Address Confidentiality Program**

If you are a victim of domestic violence, sexual assault, trafficking, and/or stalking, or if you are a criminal justice participant who is a target of felony harassment because of the work you do, and have chosen not to register to vote because you are afraid your perpetrator will locate you through voter registration records, the Office of the Secretary of State has a program that might be able to help you.

The Address Confidentiality Program (ACP) works together with community domestic violence and sexual assault programs in an effort to help keep crime victims safer.

The ACP provides participants with a substitute address that can be used when conducting business with state or local government agencies. ACP participants are eligible to register as Protected Records Voters, meaning the registration information is not public record. All ACP participants must be referred to the program by a local domestic violence or sexual assault advocate who can help develop a comprehensive safety plan.

Call the ACP toll-free at (800) 822-1065 or visit [www.sos.wa.gov/acp](http://www.sos.wa.gov/acp).

## Argument For Engrossed Senate Joint Resolution 8221

Washington's constitution limits the amount of money the state is allowed to borrow to finance capital investments in schools, university and college buildings, water, sewer and storm water projects, and other public infrastructure. Washington's excellent credit rating means borrowing costs are low. The state does not borrow to pay operating expenses.

The current limit lets debt capacity spike up during good economic times but drops sharply during recessions when more capacity is needed for job creation.

By lowering the constitutional debt limit from 9 percent to 8 percent and averaging over six years, this measure: Stabilizes and smoothes the state's ability to borrow; Gradually reduces the state's long-term debt burden; Lowers the share of the operating budget used to pay principal and interest (debt service) on the debt; Creates more stability for construction projects and improves the quality of long-term capital planning for education, recreation, and state facilities by averaging general state revenues over six years and including state property taxes in the debt limit calculation; Means less borrowing when construction costs are high and more capacity to borrow when costs are lower; and Keeps borrowing costs low by protecting our excellent credit rating. A downgrade would cost taxpayers millions. Good credit allows us to use taxpayer money for more projects instead of paying higher interest rates.

Vote yes to reduce our debt burden, plan our investments better, get a better deal for taxpayers, and create and sustain jobs here – not on Wall Street.

---

### Rebuttal of Argument Against

Vote yes. SJR8221: Doesn't increase construction project costs – it keeps costs down by maintaining Washington's excellent credit rating. Doesn't reduce jobs – it preserves debt capacity for job-creating projects during economic downturns. Doesn't add costs to schools and local governments – state government funds only a small percent of their infrastructure costs now, which can continue without local tax increases. Doesn't take property taxes away from schools – these taxes must be spent on schools under current law.

---

### Argument Prepared by

**James McIntire**, Washington State Treasurer, Democrat; **Hans Dunshee**, State Representative, 44th District, Democrat; **Linda Evans Parlette**, State Senator, 12th District, Republican; **Judy Warnick**, State Representative, 13th District, Republican; **Karen Fraser**, State Senator, 22nd District, Democrat

**Contact:** No information submitted

## Argument Against Engrossed Senate Joint Resolution 8221

### Statement against Limiting the State's Infrastructure Investments

SJR 8221 should be rejected because it increases the costs of infrastructure investments, reduces jobs and shifts money away from schools to other programs. It will have dire unintended consequences for taxpayers.

### Undermines Job Creation

Schools, community colleges, universities, skills centers, hospitals, water treatment plants, sewers and many other vital public infrastructure projects are funded directly through the state's capital budget. These projects ensure that Washington has quality facilities to foster economic, job and educational growth. *Support infrastructure investments necessary for economic growth: Vote no on SJR 8221.*

### Tax Shift to Local Governments

By reducing the state's capacity to invest in infrastructure, it will shift the burden of funding school construction and other projects to local governments. Local governments pay higher interest rates on their bonds, resulting in increased project costs. Ultimately, local governments will have to increase taxes to pay for these projects and taxpayers will pay more for the same facilities. *Stop the need for local tax increases and vote no on SJR 8221.*

### Shifts Property Tax Revenue Away from Schools

SJR 8221 takes property tax revenues away from schools and puts it into the state's general fund where it will compete against other programs. In the last two years, the legislature has taken roughly \$2 billion from infrastructure programs and put it into operating programs. Now, SJR 8221 will do the same for school funding; shifting it to other programs. *Protect school funding and vote no on SJR 8221.*

---

### Rebuttal of Argument For

Washington State has an excellent credit rating because our debt level is low and as a result we have been rewarded with record low interest rates. SJR 8221 would increase the cost of bond financing by shifting construction financing to revenue bonds or local government bonds, which carry much higher interest rates. SJR 8221 shifts property taxes away from schools. We can't afford SJR 8221. Vote no on SJR 8221 and protect Washington jobs.

---

### Argument Prepared by

**Marc Jenefsky**, AIA, President, American Institute of Architects Washington Council; **Bob Hasegawa**, State Representative, 11th District; **Maralyn Chase**, State Senator, 32nd District; **Jeff Johnson**, President, Washington State Labor Council, AFL-CIO; **Dave Myers**, Executive Secretary, Washington State Building Construction Trades Council

**Contact:** (360) 943-6012; office@aiawa.org; www.aiawa.org

method. The failure or inability to obtain an additional test by a person shall not preclude the admission of evidence relating to the test or tests taken at the direction of a law enforcement officer.

(7) Upon the request of the person who shall submit to a test or tests at the request of a law enforcement officer, full information concerning the test or tests shall be made available to him or her or his or her attorney.

## PART VI

### CONSTRUCTION

**NEW SECTION. Sec. 38.** Sections 4 through 18 of this act are each added to chapter 69.50 RCW under the subchapter heading "article III -- regulation of manufacture, distribution, and dispensing of controlled substances."

**NEW SECTION. Sec. 39.** Section 21 of this act is added to chapter 69.50 RCW under the subchapter heading "article IV -- offenses and penalties."

**NEW SECTION. Sec. 40.** Sections 26 through 30 of this act are each added to chapter 69.50 RCW under the subchapter heading "article V -- enforcement and administrative provisions."

**NEW SECTION. Sec. 41.** The code reviser shall prepare a bill for introduction at the next legislative session that corrects references to the sections affected by this act.

--- END ---

## Complete Text

### Engrossed Senate Joint Resolution 8221

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, as calculated by the treasurer at the time debt is contracted, 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))~~ the applicable percentage limit of the arithmetic mean of its general state revenues for the ((three)) six immediately preceding fiscal years as certified by the treasurer. The term "applicable percentage limit" means eight and one-half percent from July 1, 2014, through June 30, 2016; eight and one-quarter percent from July 1, 2016, through June 30, 2034; eight percent from July 1, 2034, and thereafter. 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)), including moneys received from ad valorem taxes levied by the state and deposited in the general fund in each fiscal year, but not including:~~ (1) Fees and other 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) Moneys received from taxes levied for specific purposes and required to be deposited for those purposes into specified funds or accounts other than the general fund; and (6) 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 amendments to Article VIII, Section 1, if approved and ratified by the qualified voters of the state, shall be effective on and after July 1, 2014.

BE IT FURTHER RESOLVED, That the statement of subject and concise description for the ballot title of this constitutional amendment shall read "The legislature has proposed a constitutional amendment on implementing the Commission on State Debt recommendations regarding Washington's debt limit. This amendment would, starting July 1, 2014, phase-down the debt limit percentage in three steps from nine to eight percent and modify the calculation date, calculation period, and the term general state revenues. Should this constitutional amendment be:

Approved . . . . .  
Rejected . . . . ."

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

## Senate Joint Resolution 8223

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(,):

(1) The moneys of any public pension or retirement fund, industrial insurance trust fund, or fund held in trust for the benefit of persons with developmental disabilities may be invested as authorized by law; and

(2) The public moneys of the University of Washington and Washington State University in investment funds specified by the legislature 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.

--- END ---



### Political Party Contact Information

#### Washington State Democrats

PO Box 4027  
Seattle, WA 98194  
(206) 583-0664  
info@wa-democrats.org  
www.wa-democrats.org

#### Washington State Republican Party

11811 NE 1st St, Ste A306  
Bellevue, WA 98005  
(425) 460-0570  
wagop@wsrp.org  
www.wsrp.org