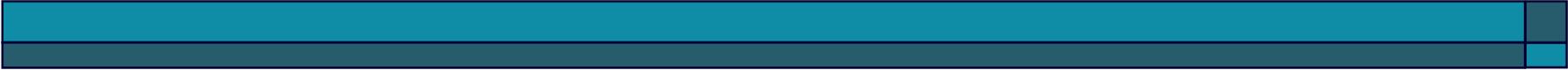


Discussion of Funding Options

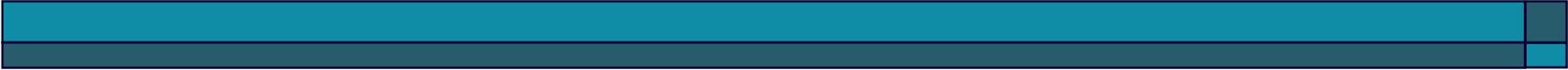
Joint Task Force on School Construction Funding
August 13, 2008

Prepared by JTFSCF Legislative Staff



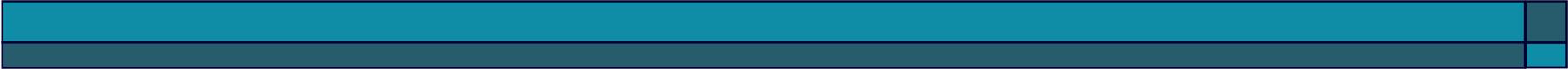
Potential Funding Options

- Reduce capital appropriations in other state programs or dedicate a minimum amount of debt limit capacity to K-12 capital construction.
- Expand the debt limit by including “near general fund” or other sources.
- Propose a statewide bond issue for K-12 capital construction.



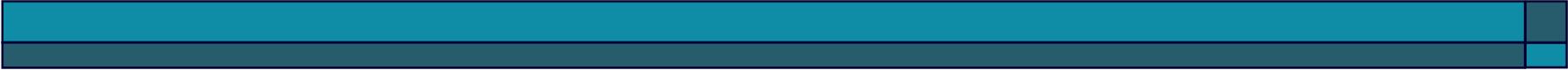
Constitutional Debt Limit

- 9% Limit (Article VIII, Section 1) adopted by voters in 1972.
- Principal and interest payments in any year may not exceed 9% of average of prior three years General State Revenues.
- Debt excluded from limit:
 - Voter-approved bonds;
 - Bonds payable from the gas tax and motor vehicle license fees;
 - Bonds payable from income received from the investment of the permanent common school fund;
 - Debt issued to meet temporary deficiencies in the State Treasury;
 - Debt issued in the form of bond anticipation notes;



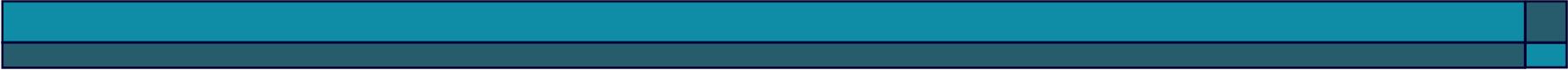
Constitutional Debt Limit

- Debt excluded from limit (continued):
 - Debt issued to pay current expenses of State Government;
 - Debt payable solely from revenues of particular public improvement (Revenue Debt);
 - Debt which has been refunded; and
 - State guarantee of voter-approved GO Debt of School Districts.



Statutory Debt Limit

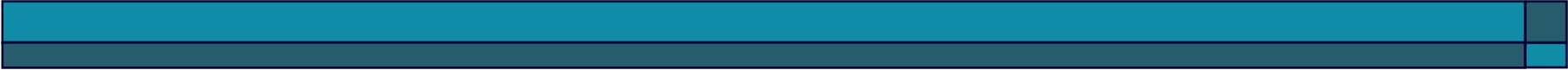
- 7% Limit (RCW 39.42.060) adopted by the Legislature in 1979; amended in 1983, 1993, 2001 and 2003.
- Principal and interest payments in any year may not exceed 7% of average of prior three years General State Revenues.
- Debt excluded from limit is same as Constitutional with following exceptions:
 - Voter-approved debt is included;
 - Certificates of Participation;
 - Reimbursement bonds (1993);
 - Stadium bonds (1997, voter-approved);
 - Debt issued to finance: a) improvements to State Capitol East Plaza Garage (2001); b) rehabilitation of Legislative Building (2001); and c) multimodal transportation projects (2003).



Definition of General State Revenues

All state money received in the treasury from each and every source whatsoever except:

- Fees and revenues derived from the ownership or operation of any undertaking, facility or project;
- Moneys received as gifts, grants, donations, aid or assistance from the United States or any department, bureau or corporation, any person, firm or corporation, public or private, when the terms and conditions require the application and disbursement of the funds for purposes other than for the general purposes of the state;
- Moneys to be paid into and received from retirement system funds, and performance bonds and deposits;

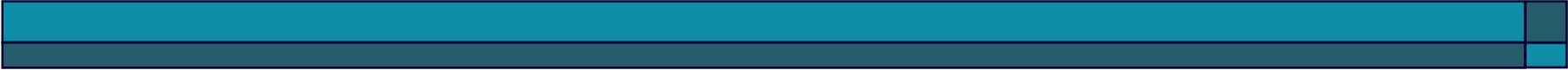


Definition of General State Revenues

(continued)

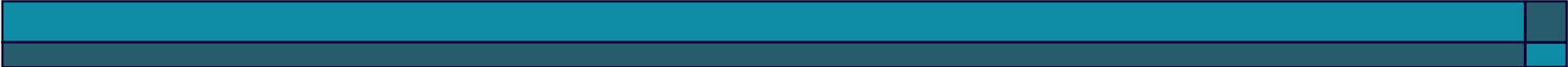
All state money received in the treasury from each and every source whatsoever except:

- 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 funds of the state and the moneys derived there from but excluding bond redemption funds; and
- Proceeds received from the sale of bonds or other evidences of indebtedness.



Near General Fund Accounts

- Health Services Account
 - Used for state match for Medicaid eligible children and funding the Basic Health Plan.
 - Revenue sources are primarily tobacco and alcohol taxes, and a portion of the Tobacco Settlement Payments
- Student Achievement Fund (SAF) – not eligible as GSR
 - Used for allocations to districts for class size reduction, extended learning, professional development, early learning, and certain building improvements
 - Revenue sources are primarily property, cigarette, and estate taxes
- Education Legacy Trust Account
 - Used for supporting a portion of the SAF per student distributions and a variety of other K-12 and higher education activities
 - Revenue sources include estate and cigarette taxes



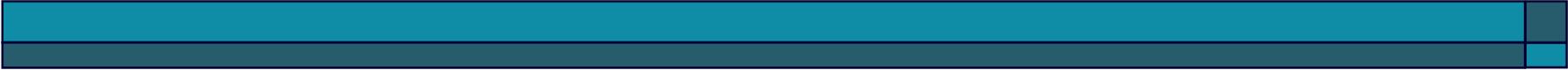
Near General Fund Accounts

- **Public Safety and Education Account**
 - Used for a variety of public safety activities by judicial and executive branch agencies (includes the Equal Justice subaccount)
 - Revenue sources include fees, fines, forfeitures, penalties, reimbursements or assessments by the courts
- **Violence Reduction and Drug Enforcement Account**
 - Used for a variety of criminal justice activities, such as drug and alcohol treatment, and rehabilitation programs in the Juvenile Rehabilitation Administration
 - Revenue sources include a variety of cigarette and alcohol taxes
- **Water Quality Account**
 - Used to assist in water pollution control activities and facilities.
 - Revenue sources include mainly tobacco taxes and a general fund state transfer
- **Pension Funding Stabilization Account – not eligible as GSR**
 - Used to help pay for pension costs
 - Revenue source has been GF-S and interest earnings

Options to Expand Debt Limit (Near General Fund Accounts)

	Projected Annual Revenue	2009-11 Additional Capacity	2011-13 Additional Capacity
Health Services Account	647,000,000	186,000,000	194,000,000
Education Legacy Trust Account	222,000,000	79,000,000	82,000,000
Public Safety & Education Account (PSEA)	107,000,000	47,000,000	49,000,000
Violence Reduction/Drug Enforcement Account (VRDE)	53,000,000	32,000,000	33,000,000
Water Quality Account (WQA)	45,000,000	30,000,000	31,000,000
Total Projected Additional Debt Capacity		374,000,000	389,000,000

- Once fully issued, \$374 million in additional debt capacity equates to \$26.5 million in GF-S debt service per year for 25 years at 5% interest rate.
- \$389 million = \$27.6 million/year for 25 years.



Statewide Bond Issue Options Projected Debt Service Impact

- \$500 million = \$36 million/year for 25 years
- \$1 billion = \$71 million/year for 25 years
- \$1.5 billion = \$106 million/year for 25 years
- \$2 billion = \$142 million/year for 25 years