



Rob McKenna

ATTORNEY GENERAL OF WASHINGTON

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July 1, 2010

The Honorable Sam Reed
ATTN: Amanda Meyer
PO Box 40229
Olympia, WA 98504-0229

Re: Ballot Title and Explanatory Statement for Referendum Bill 52

Dear Mr. Reed:

In accordance with RCW 29A.32.040 and RCW 29A.32.070, we supply herewith the Explanatory Statement for Referendum Bill 52. The ballot title for Referendum Bill 52 was previously established by court order, and is repeated here solely for convenience of reference.

BALLOT TITLE

Statement of Subject: The legislature has passed Engrossed House Bill No. 2561, concerning authorizing and funding bonds for energy efficiency projects in schools.

Concise Description: This bill would authorize bonds to finance construction and repair projects increasing energy efficiency in public schools and higher education buildings, and continue the sales tax on bottled water otherwise expiring in 2013.

EXPLANATORY STATEMENT

The Law As It Presently Exists

The State of Washington issues bonds as one way of borrowing money for various public purposes. Bonds are written agreements, under which the state agrees to pay the borrowed money back over a stated period of time, with interest. One type of bond is referred to as a "general obligation bond," which means that the state promises to repay the bonds from its general revenues, rather than from a dedicated source of revenue. The state pledges its full faith and credit toward the repayment of general obligation bonds. The state constitution limits the amount of money the state can borrow, except for debt approved by the voters.

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The state receives revenue in the form of taxes, including the state sales tax. The sales tax currently applies to most purchases of bottled water. The law makes exceptions for bottled water that is sold for certain medical purposes, or to people who do not otherwise have a readily available source of clean water. Current law also provides that the application of the sales tax to bottled water will expire July 1, 2013, and after that date the sales tax will no longer apply to purchases of bottled water.

The Effect Of The Proposed Measure If Approved

This measure asks the voters to approve the state's issuance of general obligation bonds to pay for certain construction and repair projects to improve energy efficiency in public schools and in higher education buildings. The measure would authorize the state to borrow \$505 million by issuing bonds to be repaid from future revenue.

The money raised by selling the bonds would be deposited into the state treasury, and would be used to make financial grants to public school districts, public universities, colleges and community colleges, and other public agencies. The grants would be used to pay for capital improvements for energy, utility, and operational cost savings.

Grants would be awarded on a competitive basis, based on applications explaining what particular projects applicants propose to use the money to achieve. Grants would be awarded in competitive rounds, with at least five percent of the money in each round awarded to small public school districts with fewer than one thousand students. Each project would be weighted, based on: (a) the availability of nonstate money to assist in funding the project; (b) the energy savings to be achieved by the project; and (c) how quickly the project could be ready to proceed. The dollar amounts awarded for each project would be determined in order to fund the maximum number of projects with the greatest energy and cost benefit. Only eight-five percent of projects for which applications are submitted could be funded in each round, until the last round.

General state revenues would be used to repay the bonds. If the voters approve this measure, then an amendment to state law would take effect that removes the expiration date for applying the state sales tax to purchases of bottled water. This would have the effect of continuing the collection of sales tax on purchases of bottled water after July 1, 2013, when that tax would otherwise expire. This measure states that the legislature intends to increase state revenue in this way in order to pay for a portion of the costs of repaying the bonds authorized by this measure.

Sincerely,



JEFFREY T. EVEN
Deputy Solicitor General
360-586-0728