

FISCAL IMPACT FOR REFERENDUM 52

Referendum 52 authorizes the issuance of \$505 million in state general obligation bonds to fund capital improvements for energy efficiency in buildings owned by public school districts and public higher education institutions. Twenty-nine-year debt service costs are estimated to total \$937 million, for an average annual state cost of \$32.3 million. Other state costs are estimated to be \$2.2 million annually through fiscal year 2015. The sales tax on bottled water is estimated to increase State General Fund revenues an annual average of \$39.8 million and increase local government revenues an annual average of \$14.9 million.

GENERAL ASSUMPTIONS

- Estimates are based on information provided by state agencies during the 2010 legislative session for Engrossed House Bill 2561 (EHB 2561) and updated to the June 2010 Washington State Economic and Revenue Forecast.
- Removing the expiration of sales tax on bottled water is contingent on approval of the referendum.
- Estimates are described using the state’s fiscal year of July 1 through June 30.

STATE AND LOCAL REVENUES AND EXPENDITURES ESTIMATE – ASSUMPTIONS

The state will obtain \$503.3 million in funds (bond proceeds) over five fiscal years from the issuance of \$505 million in state general obligation bonds, as shown below. Bond issuance schedule assumptions are from the Washington State Department of Commerce.

Bond Value, Costs and Net Revenue

Fiscal Year	2011	2012	2013	2014	2015
Bond Value	\$5,000,000	\$70,000,000	\$150,000,000	\$150,000,000	\$130,000,000
Cost of Bond Issuance	(\$17,038)	(\$238,533)	(\$511,142)	(\$511,142)	(\$442,990)
Net Revenue to Washington Works Account	\$4,982,962	\$69,761,467	\$149,488,858	\$149,488,858	\$129,557,010

Bond funds will be expended as grants to public school districts and public higher education institutions through a competitive process. The following data are the estimated state grant expenditures and corresponding increased revenue to public school districts and public higher education institutions. The estimated expenditures are not reduced for allowable state agency administrative fees.

An estimated 2,049 buildings owned by 295 public school districts and 1,440 buildings owned by 40 public higher education institutions, for a total of 3,489 buildings, may be eligible for grants. Data are from the Washington State Department of General Administration, Higher Education Coordinating Board and Office of Superintendent of Public Instruction. At least 5 percent of the total grant amount must be awarded to public school districts with fewer than 1,000 full-time equivalent students.

Estimated State Grant Expenditures and Increased Local Revenue

Fiscal Year	2012	2013	2014	2015	2016
Expenditures from Washington Works Account	(\$17,362,232)	(\$130,615,624)	(\$149,363,819)	(\$144,362,639)	(\$55,000,000)
Revenue (Grants) to Public Schools and	\$17,362,232	\$130,615,624	\$149,363,819	\$144,362,639	\$55,000,000

Higher Education Institutions					
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Referendum 52 would remove the June 30, 2013, expiration of the sales tax on bottled water. State revenues are estimated to increase by an annual average of \$39,808,600 and local revenues are estimated to increase by an annual average of \$14,868,600. Revenue estimates are based on state consumption and sales data contained in the 2008 Beverage Digest Fact Book. Local revenues are a statewide estimate based on an assumption of a 2.392 percent statewide average local sales tax rate.

State revenues deposited in the State General Fund can be used for any governmental purpose, including payment of state bond debt service costs. Revenue will increase for local jurisdictions authorized to impose a sales tax (counties, cities, transit, etc.); the local sales tax revenue must be used as allowed by state law. Total state and local government revenue impacts are summarized in the table below.

Total State and Local Revenue Impacts

Fiscal Year	2014	2015	2016	2017	2018
Total State General Fund	\$33,867,000	\$38,609,000	\$40,346,000	\$42,162,000	\$44,059,000
Total State Performance Audit Account	\$55,000	\$63,000	\$66,000	\$69,000	\$72,000
Total Local Revenue	\$11,680,000	\$14,647,000	\$15,306,000	\$15,995,000	\$16,715,000

STATE AND LOCAL INDEBTNESS ESTIMATE – ASSUMPTIONS

Assuming a bond payment term of 25 years for each issuance and the June 2010 Washington State Economic and Revenue Forecast Council Bond Buyer Index, total 29-year state debt service for the bonds is estimated to be \$937,031,878, for an average annual debt service payment of \$32,311,444. Data below are supplied by the Office of the State Treasurer. No local government debt is assumed from the referendum.

State Indebtedness

Fiscal Year	2011	2012	2013	2014	2015	TOTAL
Bond Value	\$5,000,000	\$70,000,000	\$150,000,000	\$150,000,000	\$130,000,000	\$505,000,000
Average Coupon (Interest) Rate	4.74%	4.76%	5.30%	5.68%	6.01%	
Debt Service	\$8,586,984	\$120,461,348	\$272,420,147	\$282,697,792	\$252,865,607	\$937,031,878

STATE AND LOCAL COST ESTIMATE – ASSUMPTIONS

The Washington State Department of Commerce, Washington State Department of General Administration and Washington State University Energy Program will incur costs to develop and administer the competitive grant program. Costs include staff salaries and benefits, grant administration, grant workshops, supplies and materials. The Washington State Department of General Administration will incur additional costs to conduct energy saving audits for grant applicants and to manage approved projects. The Washington State Department of Revenue will incur costs to refund sales tax to persons who have purchased bottled water with a prescription or who have no potable water. Total costs are estimated to average \$2,195,409 annually. Data below are supplied by state agencies.

State Costs

Fiscal Year	2011	2012	2013	2014	2015
Dept. of Commerce	\$779,917	\$639,114	\$639,114	\$639,114	\$639,114
Dept. of General Administration	\$16,222	\$2,026,151	\$2,026,151	\$1,701,403	\$1,701,403
WSU Energy Program	\$48,421	\$17,880	\$17,880	\$17,880	\$17,880
Dept. of Revenue	\$0	\$0	0	\$0	\$49,400
Total State Costs	\$844,560	\$2,683,145	\$2,683,145	\$2,358,397	\$2,407,797