

STATE OF WASHINGTON
VOLUNTARY INFORMATIONAL FILING

This filing is made by the Office of the State Treasurer as a voluntary informational filing regarding a State-wide voter initiative.

On November 6, 2019, voters State-wide voted in favor of Initiative 976 (“I-976”). As written, I-976 repeals or reduces certain vehicle-related license fees collected by the State and by local governments. The State expects that the Secretary of State’s office will officially certify passage on or before December 5, 2019, as required by State law. A lawsuit was filed on November 13, 2019 challenging the validity of the initiative and requesting an injunction against it going into effect on December 5, 2019, as would otherwise be the case. Therefore, the State cannot at this point predict when or if the initiative may go into effect.

If it goes into effect as written, one of the most significant potential impacts affects the Central Puget Sound Regional Transit Authority (“Sound Transit”). Sound Transit’s bonds are special limited obligations of Sound Transit; they are not obligations of the State of Washington or any political subdivision thereof other than Sound Transit. **The State of Washington has no financial responsibility with respect to Sound Transit’s bonds.**

I-976 will also have a financial impact on the State, which was preliminarily estimated in a Fiscal Impact Statement prepared by the Office of Financial Management (“OFM”) in advance of the election, as required under State law. On November 20, 2019, the State’s Transportation Revenue Forecast Council is expected to release its quarterly Transportation Revenue Forecast, which will provide updated revenue projections assuming that I-976 goes into effect on December 5, 2019. It will be accompanied by a second informational forecast that assumes I-976 is not implemented.

If it goes into effect as written, I-976 would reduce the amount of certain motor vehicle-related license fees that the State had expected to be available to pay debt service on certain State transportation bonds. These fees are referred to as “vehicle-related fees” or “VRFs.”

The VRFs affected by I-976 have been authorized to be pledged for the payment of certain motor vehicle fuel tax/vehicle related fee (“MVFT/VRF”) general obligation (“GO”) bonds, referred to as “Connecting Washington Bonds.” The first of these, the State’s \$224,445,000 MVFT/VRF General Obligation Bonds, Series 2020B (the “Series 2020B Bonds”), were issued in September 2019.

The Series 2020B Bonds are secured by a pledge of the full faith, credit and taxing power of the State, as well as by a pledge of motor vehicle fuel taxes (“MVFTs”) and VRFs. The Series 2020B Bonds are first payable from MVFT and VRFs. The State currently anticipates using MVFTs to pay debt service on the Series 2020B Bonds.

Other bond authorizations passed by the Legislature in 2019 for the I-405/SR 167 express toll lanes and SR 509 Puget Sound Gateway projects authorize the issuance of “triple pledge” bonds that will first be payable from toll revenues, then from MVFT and VRFs, and will finally be secured by the State’s full faith, credit and taxing power. To date, no bonds have been issued under these 2019 bond authorizations.

The Legislature’s pledge of VRFs for the payment of certain transportation bonds provides the State with flexibility in financing transportation projects. To the extent that I-976 reduces or eliminates certain VRFs, it will limit the State’s flexibility to use those VRFs, instead of MVFT or other pledged revenue, for debt service on the bonds to which VRFs have been pledged.

Aside from the Connecting Washington Bonds (including the outstanding Series 2020B Bonds and authorized but unissued Connecting Washington Bonds) and the authorized but unissued I-405/SR 167 express toll lanes and SR 509 Puget Sound Gateway “triple pledge” bonds, the Legislature has not authorized the taxes and fees reduced by I-976 to be specifically pledged to secure other State bonds.

The Office of the State Treasurer continues to work with the State’s Office of Financial Management, the Washington State Department of Transportation, the Attorney General’s office, and others to analyze the precise effects of I-976 on State finances generally and on the financial framework for State bonds for which the Legislature has pledged VRFs.

Dated: November 19, 2019