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Memorandum

TO: Representative Max Gruenberg
FROM: Susan Haymes, Legislative Analyst
DATE: December 10, 2010
RE: General Obligation Bond Election Materials in Other States
LRS Report 11.083

You asked how other states present general obligation bond proposition information to voters in election materials.

Most states (and local governments) have authority to issue general obligation (GO) bonds, which are bonds used primarily to fund capital projects that are backed by the full faith and credit of the issuing state. This means the debt is the first obligation that the state must pay, and its repayment is guaranteed by the state's full taxing power. When a state issues a GO bond it agrees to pay the borrowed money back over a specified period of time, with interest. The principal and interest on all GO bonds are paid out of the state's general fund, rather than from a dedicated source of revenue. Many state constitutions provide certain restrictions on GO bonds such as an absolute limit on the amount or a limit on the amount of state debt that can be outstanding.¹ Moreover, the issuance of a GO bond generally requires legislative approval, and in at least 19 states a popular vote is required as well before the state can issue a GO bond.²

The states that require voter ratification generally provide that the bond measure must be described in the voters' pamphlet and must include the amount being borrowed, the projects that will be funded, and arguments for and against the proposal.³ Five states—Idaho, Oregon, Rhode Island, Virginia, and Washington—require more detailed fiscal information to be provided to voters in election materials.⁴ Of those, Oregon and Washington require the most detailed fiscal information.

Washington law requires that a fiscal impact statement be prepared for each bond measure and that the statement be printed in the voters' pamphlet and made available online.⁵ Oregon lawmakers established a financial estimate committee that is charged with estimating the financial impact on state and local government revenues and expenditures if a bond measure is enacted. The following table describes the degree of financial information that is required, and how the information is provided to residents in the five selected states.⁶

¹ The Washington State Constitution provides a formula that allows the state to issue GO bonds only if the total debt service will not exceed nine percent of the average of general state revenues for the preceding three fiscal years. Other states such as Texas and Ohio have a definite limit to the amount the state can borrow. Such states have successfully overruled the limit by amending their respective constitutions.

² Those states are Alaska, Arkansas, California, Florida, Idaho, Kansas, Kentucky, Maine, Michigan, Missouri, New Jersey, New Mexico, New York, North Carolina, Oregon, Pennsylvania, Rhode Island, Virginia, and Washington. The constitutions of Illinois and South Carolina require members of each house of the General Assembly (three-fifths and two-thirds, respectively) or a majority of the voters approve a GO bond before it can be issued. We used the National Conference of State Legislature's (NCSL), "State Budget Requirements: Provision and Practice," 2004, which includes references to many state's debt provisions. From among the states that require a popular vote before issuing a GO bond, we selected five that require more detailed financial information for voters. If the NCSL report was silent on debt limits, we reviewed that state's constitution. The NCSL report can be accessed at <http://www.ncsl.org/default.aspx?tabid=12612>. Please note that while we believe our research to be thorough, there may be additional states with provisions similar to the selected states that we did not locate due to variations in wording and construction of statutes.

³ In Alaska, under AS 15.58.020(a)(7), "a statement of the scope of each project" authorized in the bond measure must be included in the voters' pamphlet.

⁴ Of the 15 states requiring a majority vote, including the five we selected, we did not find any that required the indebtedness resulting from passage of a GO bond measure be expressed as per capita or per household. The five selected states do require that the aggregate amount of indebtedness be provided to residents in election materials.

⁵ Attachment A is a fiscal impact statement prepared for a Washington GO bond measure (Referendum 52) before the general election in November 2010, [we.secstate.wa.gov/osos/en/PreviousElections/2010/general/Pages/OGV_20101102.aspx#ososTop](http://www.secstate.wa.gov/osos/en/PreviousElections/2010/general/Pages/OGV_20101102.aspx#ososTop).

⁶ We include copies of each of the statutes cited as Attachment B.

Required Information for Voters on General Obligation (GO) Bond Measures in Election Materials

State	Citations	Information Required	Information Format
Idaho	Idaho Code § 34-440 Idaho Code § 34-1812C	Existing indebtedness of state, interest rate, and total amount of bond (principal and interest) over life of the bond.	Statement printed on ballot, in the official notice of election, and in voters' pamphlet, which is mailed to every household before general election. Voters' pamphlet and ballot information are available online.
Oregon	ORS § 250.035 ORS § 250.037 ORS § 250.125 ORS § 250.127 ORS § 250.131 ORS § 254.085	Financial estimate committee prepares detailed financial analysis including impact on state and local governments if enacted, specifically aggregate amount of expenditures, reduction in revenues, and indebtedness required by any local government to meet provisions.	Estimate printed on ballot and voters' pamphlet. Voters must be notified if bond measure is to be payable from property taxes. Voters' pamphlet and ballot information are available online.
Rhode Island	R.I. Gen. Laws § 17-1-2 R.I. Gen. Laws § 17-5-1 R.I. Gen. Laws § 17-5-1.1 R.I. Gen. Laws § 17-5-3	Estimated total cost of project including financing, legal and other costs; terms of the bond; and detailed description and timetable of the project.	Required in voter pamphlet which is mailed to each residential unit before general or special referenda election. Voters' pamphlet available online.
Virginia	Va. Code Ann. § 24.2-105.1 Va. Code Ann. § 30-19.10	Fiscal impact statement describing the need for and uses of the bond proceeds, and estimated costs and expenditures if enacted.	Required to be posted on State Board of Elections web site and distributed to the general registrar of each county and city.
Washington	ARCW § 29A.04.321 ARCW § 29A.32.070 ARCW § 29A.72.025	Fiscal impact statement describing any projected increase or decrease in revenues, costs, expenditures or indebtedness state or local governments will experience if enacted and including statement and assumptions used in preparing statement.	Fiscal impact statements must be available online and included in the voters' pamphlet which is distributed to each household.

Notes: Among the states that require a popular vote, Washington and Oregon require the most detailed financial information be provided in election materials. All five states require the aggregate amount of indebtedness be provided in election materials.

Sources: The web sites of each state's Elections Division including, <http://www.sos.idaho.gov/elect/eleindex.htm>, <http://www.sos.state.or.us/elections/>, <http://sos.ri.gov/elections/>, <http://www.sos.wa.gov/elections/>, and <http://www.sos.idaho.gov/elect/eleindex.htm>. State statutes available through Lexis Nexis.

We hope this is helpful. If you have questions or need additional information, please let us know.