

**Chapter 39.42 RCW**  
**STATE BONDS, NOTES, AND OTHER EVIDENCES OF INDEBTEDNESS**

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**RCW 39.42.010 Scope of application.** This chapter shall apply to all bonds, notes and other evidences of indebtedness of the state authorized by the legislature after \*the effective date of this chapter, unless otherwise provided in the authorizing acts. [1971 ex.s. c 184 § 1.]

**\*Reviser's note:** For "the effective date of this chapter," see RCW 39.42.900.

**RCW 39.42.020 Evidences of indebtedness—Issuance—Signature.** Bonds, notes or other evidences of indebtedness shall be issued by the state finance committee. They may be issued at one time or in a series from time to time. The maturity date of each series shall be determined by the state finance committee, but in no case shall any bonds mature later than thirty years from the date of issue. All evidences of indebtedness shall be signed in the name of the state by the governor and the treasurer. The facsimile signature of said officials is authorized and said evidences of indebtedness may be issued notwithstanding that any of the officials signing them or whose facsimile signatures appear on such evidences of indebtedness has ceased to hold office at the time of issue or at the time of delivery to the purchaser. [1971 ex.s. c 184 § 2.]

**RCW 39.42.030 Evidences of indebtedness—Issuance—State finance committee, duties and powers.** (1) The state finance committee shall meet not less than twice per calendar year and shall determine by resolution the amount, date or dates, terms, conditions, covenants, denominations, interest rate or rates (which may be fixed or variable), maturity or maturities, redemption rights, manner of execution and authentication, manner and price of sale and form of all bonds, notes, or other evidences of indebtedness.

(2) The state finance committee may authorize the state treasurer, by resolution[,] to:

(a) Accept offers to purchase the bonds, notes, or other evidences of indebtedness and to sell and deliver the bonds, notes, or other evidences of indebtedness to the purchasers thereof;

(b) Determine the date or dates, price or prices, principal amounts per maturity, delivery dates, interest rate or rates (or mechanisms for determining the interest rate or rates); and

(c) Set other terms and conditions as the state finance committee may deem necessary and appropriate. Each delegation is limited to bonds, notes, or other indebtedness that the state finance committee has authorized to be issued. Bonds, notes, or other evidences of indebtedness shall be payable either to the bearer or to the registered owner as provided in RCW 39.46.030. The resolution may provide for the deposit in trust with any qualified public depository of all or any part of the proceeds of the bonds, notes, or other evidences of indebtedness or money set aside for the payment thereof.

(3) The state finance committee shall also determine by resolution whether interest on all or any part of the bonds is to be payable periodically during the term of such bonds or only at the maturity of the bonds. For purposes of the limitations on the amount of bonds authorized to be issued contained in the acts authorizing their issuance, the amount of bonds which pay interest only at maturity must be equal to the price, exclusive of accrued interest, at which the bonds are initially offered to the public.

(4) The state finance committee may issue, under chapter 39.53 RCW and this chapter, bonds, notes, or other evidences of indebtedness to refund at or prior to maturity any outstanding state bonds, notes, or other evidences of indebtedness.

(5) The state finance committee may obtain or provide for obtaining bond insurance, letters of credit or other credit support instruments for the purpose of guaranteeing the payment or enhancing the marketability, or both, of any state bonds, notes, or other evidences of indebtedness, and may authorize the execution and delivery of agreements, promissory notes, and other related instruments. [2010 1st sp.s. c 18 § 1; 1989 1st ex.s. c 14 § 16; 1983 c 167 § 104; 1971 ex.s. c 184 § 3.]

**Effective dates—1989 1st ex.s. c 14:** See RCW 43.99H.901.

**Liberal construction—Severability—1983 c 167:** See RCW 39.46.010 and note following.

**RCW 39.42.040 Disposition of proceeds from sale of bonds.** The proceeds of the sale of any bonds shall be used solely for the purposes, including any expense incurred in connection with the issuance and sale of such bonds, specified in the general statute or

special act authorizing the issuance of such bonds. [1971 ex.s. c 184 § 4.]

**RCW 39.42.050 Anticipation notes—Issued, when—Payment of principal and interest.** When the state finance committee has decided to issue such bonds or a portion thereof, it may, pending the issuing of such bonds, issue, in the name of the state, temporary notes in anticipation of the money to be derived from the sale of such bonds, which notes shall be designated as "anticipation notes". If, prior to the issuance of the bonds, it becomes necessary to redeem outstanding notes, additional bond anticipation notes may be issued to redeem the outstanding notes. Such portion of the proceeds of the sale of such bonds as may be required for such purpose shall be applied to the payment of the principal of such anticipation notes which have been issued. The interest on anticipation notes shall be paid from the revenue source and with the same priority of payment specified in the respective bond acts for payment of principal of and interest on the bonds against which anticipation notes are sold. The procedure for paying the interest on the notes, including the transfer of necessary funds for that purpose, shall be the same as prescribed for the bonds.

If the bonds shall constitute general obligations of the state and pledge the full faith and credit of the state to the payment thereof, then the notes issued in anticipation thereof shall state that they are a general obligation of the state of Washington, shall pledge the full faith and credit of the state to the payment of the principal thereof and the interest thereon, and shall contain an unconditional promise to pay the principal and interest as the same shall become due. The owner and holder of any of the notes or the trustee for the owner and holder of any of the notes may, by a mandamus or other appropriate proceeding, require the transfer and payment of funds as directed in this section. [1981 c 29 § 1; 1971 ex.s. c 184 § 5.]

**Application—1981 c 29:** "This act shall apply to all outstanding bond anticipation notes of the state, and interest on the notes shall be paid as provided in RCW 39.42.050: PROVIDED, That in the event such interest is not paid as provided in RCW 39.42.050 it shall be paid from such source or sources as are specified in such notes." [1981 c 29 § 2.]

**RCW 39.42.070 Computation of general state revenues—Filing of certificate—Estimate of debt capacity.** On or after \*the effective date of this act, the treasurer shall compute general state revenues for the three fiscal years immediately preceding such date and shall determine the arithmetic mean thereof. As soon as is practicable after the close of each fiscal year thereafter, he or she shall do likewise. In determining the amount of general state revenues, the treasurer shall include all state money received in the treasury from each and every source whatsoever except: (1) Fees and revenues derived from the ownership or operation of any undertaking, facility or project; (2) moneys received as gifts, grants, donations, aid or assistance or otherwise from the United States or any department, bureau or corporation thereof, or any person, firm or corporation, public or private, when the terms and conditions of such gift, grant, donation,

aid or assistance require the application and disbursement of such moneys otherwise than for the general purposes of the state of Washington; (3) moneys to be paid into and received from retirement system funds, and performance bonds and deposits; (4) 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 therefrom but excluding bond redemption funds; (5) proceeds received from the sale of bonds or other evidences of indebtedness. Upon computing general state revenues, the treasurer shall make and file in the office of the secretary of state, a certificate containing the results of such computations. Copies of said certificate shall be sent to each elected official of the state and each member of the legislature. The treasurer shall, at the same time, advise each elected official and each member of the legislature of the current available debt capacity of the state, and may make estimated projections for one or more years concerning debt capacity. [2009 c 500 § 1; 2009 c 479 § 24; 2007 c 215 § 2; 2003 1st sp.s. c 9 § 1; 2002 c 240 § 8; 1971 ex.s. c 184 § 7.]

**Reviser's note:** \*(1) For "the effective date of this act," see RCW 39.42.900.

(2) This section was amended by 2009 c 479 § 24 and by 2009 c 500 § 1, each without reference to the other. Both amendments are incorporated in the publication of this section under RCW 1.12.025(2). For rule of construction, see RCW 1.12.025(1).

**Effective date—2009 c 500:** "This act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and takes effect July 1, 2009." [2009 c 500 § 14.]

**Effective date—2009 c 479:** See note following RCW 2.56.030.

**Finding—Intent—2007 c 215:** "The legislature finds that after passage of a constitutional amendment (\*House Joint Resolution No. 4215 or Senate Joint Resolution No. 8220), the state investment board will be permitted in accordance with RCW 43.33A.140 to invest a portion of the higher education permanent funds in equities. The legislature further recognizes that by investing in equities, the value of the higher education permanent funds may fluctuate over time due to market changes even if no disposition of the fund principal is made. The removal of the word "irreducible" in this act, describing the higher education permanent funds, is needed to clarify that the mere reduction in market value of a permanent fund due to such fluctuations would not violate the mandate of the statute. It is the intent of the legislature to clarify state law to permit equity investment of higher education permanent funds even if there is a decline in the value of a permanent fund due to market changes. It is not the intent of the legislature to change the requirement that unless otherwise allowed by law the principal amounts in the higher education permanent funds are to be held in perpetuity for the benefit of the designated institutions and future generations, and that only the earnings from a higher education permanent fund may be appropriated to support the benefited institution." [2007 c 215 § 1.]

**\*Reviser's note:** House Joint Resolution No. 4215 passed the legislature on April 11, 2007.

**Contingent effective date—2007 c 215:** "This act takes effect if the proposed amendment to Article XVI of the state Constitution regarding investment of certain state moneys is validly submitted to and is approved and ratified by the voters at the next general election. If the proposed amendment is not approved and ratified, this act is void in its entirety." [2007 c 215 § 10.] The proposed amendment to Article XVI of the state Constitution (Substitute House Joint Resolution No. 4215) was approved by the people at the November 6, 2007, general election.

**Effective date—2002 c 240:** See RCW 43.99G.903.

**RCW 39.42.080 Obligations allowable under debt limitation.** The foregoing limitation on the aggregate amount of indebtedness of the state shall not prevent:

(1) The issuance of obligations to refund or replace any such indebtedness existing at any time in an amount not exceeding 1.05 times the amount which, taking into account earnings from the investment of the proceeds of the issue, is required to pay the principal thereof, interest thereon, and any premium payable with respect thereto, and the costs incurred in accomplishing such refunding, as provided in chapter 39.53 RCW, as now or hereafter amended: PROVIDED, That any proceeds of the refunding, bonds in excess of those acquired to accomplish such refunding or any obligations acquired with such excess proceeds, shall be applied exclusively for the payment of principal, interest, or call premiums with respect to such refunding obligations;

(2) The issuance of obligations in anticipation of revenues to be received by the state during a period of twelve calendar months next following their issuance;

(3) The issuance of obligations payable solely from revenues of particular public improvements;

(4) A pledge of the full faith, credit, and taxing power of the state to guarantee the payment of any obligation payable from any of revenues received from any of the following sources:

(a) the fees collected by the state as license fees for motor vehicles;

(b) excise taxes collected by the state on the sale, distribution, or use of motor vehicle fuel; and

(c) interest on the permanent common school fund:

PROVIDED, That the legislature shall, at all times, provide sufficient revenues from such sources to pay the principal and interest due on all obligations for which said source of revenue is pledged. [1974 ex.s. c 111 § 1; 1971 ex.s. c 184 § 8.]

**Severability—1974 ex.s. c 111:** "If any provision of this 1974 amendatory act, or its application to any person or circumstance is held invalid, the remainder of the act, or the application of the provision to other persons or circumstances is not affected." [1974 ex.s. c 111 § 6.]

**RCW 39.42.090 Certificates of indebtedness—Issued, when—Retirement.** The state finance committee may issue certificates of indebtedness in such sum or sums that may be necessary to meet temporary deficiencies of the treasury. Such certificates may be issued only to provide for the appropriations already made by the legislature and such certificates must be retired and the debt discharged other than by refunding within twelve months after the date of issuance.

For the purposes of this section, the state treasury shall include all statutorily established funds and accounts except for any of the permanent funds of the state treasury. [2007 c 215 § 3; 1985 c 57 § 21; 1971 ex.s. c 184 § 9.]

**Finding—Intent—Contingent effective date—2007 c 215:** See notes following RCW 39.42.070.

**Effective date—1985 c 57:** See note following RCW 18.04.105.

**RCW 39.42.100 Evidences of indebtedness—Defects not to affect validity—Copy of resolution authorizing issuance filed—Action to contest before delivery.** Bonds, notes, or other obligations issued and sold by the state of Washington pursuant to and in conformity with this chapter shall not be invalid for any irregularity or defect in the proceedings of the issuance or sale thereof, except as provided in this paragraph, and shall be incontestable in the hands of a bona fide purchaser or holder thereof. Whenever the state finance committee determines to issue bonds, notes or other evidences of indebtedness, it shall file with the treasurer a certified copy of the resolution authorizing their issuance at least thirty days prior to delivery to the purchaser of such bonds, notes, of other evidences of indebtedness. At any time prior to delivery, any person in interest shall have the right to institute an appropriate action or proceeding to contest the validity of the authorized indebtedness, the pledge of revenues for the payment of principal and interest on such indebtedness, the validity of the collection and disposition of revenue necessary to pay the principal and interest on such indebtedness, the expenditure of the proceeds derived from the sale of the evidences of indebtedness for the purposes specified by law, and the validity of all other provisions and proceedings in connection with the authorization and issuance of the evidences of indebtedness. If such action or proceeding shall not have been instituted prior to delivery, then the validity of the evidences of indebtedness shall be conclusively presumed and no court shall have authority to inquire into such matters. [1971 ex.s. c 184 § 10.]

**RCW 39.42.110 Evidences of indebtedness—As negotiable instruments, legal investments, and security for deposits.** All evidences of indebtedness issued under the provisions of this chapter shall be fully negotiable instruments and shall be legal investment for all state funds or for funds under state control and all funds of municipal corporations, and shall be legal security for all state, county and municipal deposits. [1971 ex.s. c 184 § 11.]

**RCW 39.42.120 Excess earnings account—Payments to United States treasury.** The excess earnings account is created in the state treasury. From the revenue funds from which principal and interest payments on bonds are provided, the state treasurer shall periodically transfer to the excess earnings account such amounts as are owed to the federal government under section 148 of the federal internal revenue code. Pursuant to legislative appropriation from the excess earnings account, the state treasurer shall periodically remit to the United States treasury any amounts owed to the federal government under section 148 of the federal internal revenue code. [1988 c 92 § 1.]

**RCW 39.42.130 Aggregate state debt not to exceed debt limitation—State finance committee duties.** (1) The state shall not contract any bonds, notes, or other evidences of indebtedness for borrowed money that would cause the aggregate state debt to exceed the debt limitation, as specified in Article VIII, section 1(b) of the state Constitution.

(2) It shall be the duty of the state finance committee to compute annually the amount required to pay principal of and interest on outstanding debt.

(3) To the extent necessary because of the state constitutional debt limitation, priorities with respect to the issuance or guaranteeing of bonds, notes, or other evidences of indebtedness by the state shall be determined by the state finance committee. [2009 c 500 § 2.]

**Effective date—2009 c 500:** See note following RCW 39.42.070.

**RCW 39.42.140 Working debt limit.** The state finance committee must recommend a working debt limit for purposes of budget development for various purpose capital bond appropriations. Nothing in this section shall in any manner affect the validity of indebtedness incurred in compliance with the provisions of Article VIII, section 1 of the state Constitution. The working debt limit must be updated periodically following forecasts of the economic and revenue forecast council. The governor and legislature must develop capital bond budgets within the most recent recommended working debt limit. The working debt limit must be lower than the state constitutional debt limit in order to reserve capacity under the constitutional limit for emergencies and economic uncertainties. In order to begin to accomplish the objectives of stabilizing debt capacity and reducing the debt service burden on the operating budget, the state finance committee must recommend working debt limits of eight and one-half percent from July 1, 2015, to and including June 30, 2017; eight and one-quarter percent from July 1, 2017, to and including June 30, 2019; eight percent from July 1, 2019, to and including June 30, 2021; seven and three-quarters percent from July 1, 2021, and thereafter. The state finance committee may recommend modified working debt limits in response to extraordinary economic conditions. The state finance committee is authorized to reduce or delay the issuance of bonds if an issuance would result in exceeding the recommended working debt limit. [2011 1st sp.s. c 46 § 3.]

**Intent—2011 1st sp.s. c 46:** "The legislature intends to examine the various kinds of debt incurred by Washington state and the limitations that control the amount and use of debt. To assist in this examination, the legislature seeks the assistance and recommendations of a commission on state debt." [2011 1st sp.s. c 46 § 1.]

**RCW 39.42.150 Liquefied natural gas used as marine vessel transportation fuel—Excluded from general state revenues. (Expires July 1, 2028.)** (1) The purpose of eliminating a portion of the sales tax exemption under RCW 82.08.0261 for liquefied natural gas sold for use as a marine vessel transportation fuel is to support the Washington state ferries and other state highway system needs. For this reason, general state revenues transferred under RCW 82.32.860 to the motor vehicle fund are excluded from the calculation of general state revenues for purposes of Article VIII, section 1 of the state Constitution and RCW 39.42.130 and 39.42.140.

(2) This section expires July 1, 2028. [2014 c 216 § 408.]

**Effective date—Findings—Tax preference performance statement—2014 c 216:** See notes following RCW 82.38.030.

**RCW 39.42.900 Effective date—1971 ex.s. c 184.** This act shall become effective coincident with the effective date of the constitutional amendment to Article VIII, section 1 and to Article VIII, section 3 of the Washington state Constitution as presented for a vote of the people by HJR 52, 1971 regular session. Unless such constitutional amendment shall be approved by the people at the next general election, this chapter shall be null and void. [1971 ex.s. c 184 § 12.]

**Reviser's note:** House Joint Resolution No. 52 was approved by the voters at the November 1972 general election.