

SENATE BILL REPORT

SB 5071

AS PASSED SENATE, FEBRUARY 15, 1994

Brief Description: Correcting unconstitutional provisions regarding the construction, sale, and conditions of revenue bonds for pollution control facilities.

SPONSORS: Senator Haugen; by request of Law Revision Commission

SENATE COMMITTEE ON GOVERNMENT OPERATIONS

Majority Report: Do pass.

Signed by Senators Haugen, Chairman; Drew, Vice Chairman; Loveland, Oke, Owen and Winsley.

Staff: Rod McAulay (786-7754)

Hearing Dates: January 27, 1993; February 2, 1993; January 14, 1994

BACKGROUND:

Counties, cities, towns and port districts may issue tax exempt revenue bonds to finance pollution control or abatement facilities. The state Supreme Court, however, ruled in 1974 that the financing of such facilities, where the municipality retained no significant interest or realized no benefit beyond the use of the facilities by the lessee or purchaser, was an unconstitutional lending of credit.

The state Law Revision Commission has recommended legislation which will narrow the scope of authority granted in the pertinent statutes to conform with the limits set forth by the Supreme Court.

SUMMARY:

Pollution control facilities financed by municipalities must have a separate value to the municipality beyond its potential use to an entity that has leased the facility from the municipality. Any lease of facilities must be for a term at least one month less than the term of the municipality's ownership in the facility. Lease payments received from facilities must be more than sufficient to cover all costs, including debt servicing, reserves and maintenance.

Appropriation: none

Revenue: none

Fiscal Note: none requested

TESTIMONY FOR: None

TESTIMONY AGAINST: None

TESTIFIED: No one