

FINAL BILL REPORT

HB 1495

C 230 L 99

Synopsis as Enacted

Brief Description: Regarding refunding bonds.

Sponsors: Representative Fisher.

House Committee on Capital Budget
Senate Committee on Ways & Means

Background:

State and local governments are authorized to issue and sell several types of bonds according to a uniform procedure in state and federal law. One type of the bonds issued by governments is a refunding bond. Refunding bonds are bonds issued to refinance high cost debt or to restructure debt. This usually occurs when a government entity is able to issue bonds at a lower interest rate to redeem, or pay off, bonds that have a higher interest rate. There are two types of refunding bonds: advance refunding and current refunding. Advance refunding bonds are issued one year or more before the original bonds mature, and current refunding bonds are issued to replace bonds that are eligible for redemption. Although both types of refunding bonds are issued in this state, current law defines advance refunding but makes no reference to current refunding. The current definition of advance refunding bonds is also inconsistent with the federal Internal Revenue Code.

Governments are also authorized to issue revenue bonds. Revenue bonds are any bonds that are payable from a designated revenue source or special assessment. Revenue bonds are not a general obligation debt of the issuing entity. Payment is only secured by the specific revenues pledged to pay the interest and principal on the bonds.

Summary:

The distinction between advance refunding and current refunding is eliminated. The term refunding bonds is redefined to conform with the Internal Revenue Code. Any public body is authorized to refund general obligation bonds with revenue refunding bonds, and local governments, rather than just the state, are authorized to refund revenue bonds with general obligation bonds.

Votes on Final Passage:

House 97 0
Senate 48 0

Effective: July 25, 1999