

SENATE BILL REPORT

HB 1495

As Reported By Senate Committee On:
Ways & Means, April 1, 1999

Title: An act relating to refunding obligations.

Brief Description: Regarding refunding bonds.

Sponsors: Representative Fisher.

Brief History:

Committee Activity: Ways & Means: 3/30/99, 4/1/99 [DP, DNP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Loveland, Chair; Bauer, Vice Chair; Brown, Vice Chair; Fairley, Fraser, Honeyford, Kohl-Welles, Long, McDonald, Rasmussen, B. Sheldon, Snyder, Spanel, Thibaudeau, West, Wojahn and Zarelli.

Minority Report: Do not pass.

Signed by Senator Rossi.

Staff: Terry Wilson (786-7433)

Background: State and local governments are authorized to issue both general obligation bonds and revenue bonds. General obligation bonds are a general obligation of the issuing entity. Revenue bonds are payable only from a designated revenue source or special assessment. Revenue bonds are not a general obligation debt of the issuing entity.

State and local governments are also authorized to issue refunding bonds to refinance high cost debt or restructure debt. There are two types of refunding bonds: advance refunding bonds and current refunding bonds. 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 makes no reference to current refunding bonds, and the current definition of advance refunding bonds is inconsistent with the federal Internal Revenue Code.

Summary of Bill: The distinction between advance refunding bonds and current refunding bonds is eliminated.

Any public body may refund general obligation bonds with revenue bonds, and local governments, rather than just the state, may refund revenue bonds with general obligation bonds.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This is a technical rewrite of the Refunding Bond Act. The federal tax law has changed since the act was adopted and this bill updates the act for those changes. It also makes clear that all local governments can refund general obligation bonds with revenue bonds. It is helpful to local governments.

Testimony Against: None.

Testified: PRO: Representative Fisher, prime sponsor; Hugh Spitzer, Foster, Pepper & Shefelman.