

SENATE BILL REPORT

SB 5728

As Reported By Senate Committee On:
State & Local Government, February 17, 1999

Title: An act relating to proposed bond issues.

Brief Description: Determining the validity of a proposed bond issuance.

Sponsors: Senators Winsley, Haugen, McCaslin and Hale.

Brief History:

Committee Activity: State & Local Government: 2/15/99, 2/17/99 [DPS].

SENATE COMMITTEE ON STATE & LOCAL GOVERNMENT

Majority Report: That Substitute Senate Bill No. 5728 be substituted therefor, and the substitute bill do pass.

Signed by Senators Patterson, Chair; Gardner, Vice Chair; Hale, Haugen, Horn, Kline and McCaslin.

Staff: Karen Kirkpatrick (786-7403)

Background: A local government entity that wishes to issue a bond may follow a statutorily prescribed procedure to determine if the issuance is valid. The procedure involves a lawsuit with the government entity acting as the plaintiff and the affected citizens who must repay the bond acting as the defendant. Both sides of the suit are funded by the government. A court decision regarding the validity of the bond is binding on all parties to the suit.

If a controversy arises after the court issues a decision, the government may face new litigation. This may result in a challenge after the bonds have been issued and sold, creating problems for the government entity and bond holders.

It has been suggested that the statute's language is confusing and may not be broad enough to cover all situations that may arise. It has also been suggested that the process could be simplified to avoid duplicitous litigation.

Summary of Substitute Bill: Provisions for testing and determining the validity of bond issues are expanded to include the state. Only one suit on a bond issuance is allowed. It must be in superior court, without a jury, and the judgment of the court must be binding upon all persons.

References to "taxpayers" are replaced by "interested parties" which includes taxpayers, ratepayers, or any other person who has any interest in the bond or the project for which the bond is issued.

A new provision is added requiring that notice of the action be published in the newspaper. Definitions are added and other clarifying and technical changes are made.

Substitute Bill Compared to Original Bill: Language qualifying "interested parties" is removed, and a reference to "interested persons" is replaced by "interested parties."

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: The bill requires publishing to trigger participation of all interested parties. Notice helps avoid duplicity and inconsistent court decisions. The taxpayer terminology is not accurate because interested parties or defendants to a suit may be parties other than taxpayers.

Testimony Against: None.

Testified: Daniel B. Heid, City of Lakewood (pro).