

# HOUSE BILL REPORT

## 2SHB 1359

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**As Passed House:**  
February 3, 2006

**Title:** An act relating to the interest rate on legal financial obligations.

**Brief Description:** Revising the interest rate on legal financial obligations.

**Sponsors:** By House Committee on Appropriations (originally sponsored by Representatives Darneille, Jarrett, Grant, Appleton, Kirby, Walsh, Kagi, Pettigrew, Lovick, Lantz, Campbell, Fromhold, Haigh, Priest, Kessler, Hinkle, Buck, Ormsby, Upthegrove, Dickerson, McIntire, Chase, McDermott and Holmquist).

**Brief History:**

**Committee Activity:**

Judiciary: 2/2/05, 2/11/05 [DPS];

Appropriations: 2/24/05, 2/28/05 [DP2S(w/o sub JUDI)].

**Floor Activity:**

Second Reading: 3/14/05.

**Floor Activity:**

Passed House: 2/3/06, 64-32.

**Brief Summary of Second Substitute Bill**

- Changes the interest rate applicable to financial obligations imposed in a criminal judgment to 2 percentage points above the 26-week treasury bill rate.

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### HOUSE COMMITTEE ON JUDICIARY

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Lantz, Chair; Flannigan, Vice Chair; Williams, Vice Chair; Priest, Ranking Minority Member; Campbell, Kirby, Springer and Wood.

**Minority Report:** Without recommendation. Signed by 2 members: Representatives Rodne, Assistant Ranking Minority Member; and Serben.

**Staff:** Edie Adams (786-7180).

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Judiciary. Signed by 23

members: Representatives Sommers, Chair; Fromhold, Vice Chair; McDonald, Assistant Ranking Minority Member; Buri, Clements, Cody, Conway, Darneille, Dunshee, Grant, Haigh, Hinkle, Hunter, Kagi, Kenney, Kessler, Linville, McDermott, McIntire, Miloscia, Priest, Schual-Berke and Walsh.

**Minority Report:** Do not pass. Signed by 5 members: Representatives Alexander, Ranking Minority Member; Anderson, Assistant Ranking Minority Member; Bailey, Pearson and Talcott.

**Staff:** Nona Snell (786-7153).

**Background:**

When a defendant is convicted of a crime, the court may impose financial obligations as part of the judgment and sentence. Financial obligations that may be imposed on a defendant include: victim restitution; crime victims' compensation fees; court costs; court-appointed attorneys' fees and costs of defense; fines; and other costs associated with the offense or sentence.

Judgments for financial obligations in criminal proceedings bear interest from the date of judgment at the same rate that is applicable to civil judgments. The rate of interest generally applicable to civil judgments is the greater of 12 percent or four points above the 26-week treasury bill rate. As a result of low treasury bill rates, 12 percent has been the applicable interest rate on criminal financial obligation judgments for at least the last decade.

In 2004, the Legislature established a new method of calculating the interest rate applicable to tort judgments; previously the rate was the same as the general civil judgment rate. The interest rate now established for tort judgments is two percentage points above the 26-week treasury bill rate.

Interest that accrues on the restitution portion of a criminal financial obligation is paid to the victim of the offense. All other interest accruing on the judgment is split between the state and the county as follows:

- 25 percent to the state for the public safety and education account;
- 25 percent to the state for the judicial information system account; and
- 50 percent to the county current expense fund, 25 percent of which must be used to fund local courts.

The public safety and education account is used to fund a variety of programs, including criminal justice training, crime victim's compensation, indigent representation, the judicial information system, and highway and traffic safety. The judicial information system account is used to acquire the equipment, software, supplies, and services necessary to provide information systems for the judiciary and information systems access to non-court users. The county current expense fund is the general county fund used to fund county expenses.

**Summary of Second Substitute Bill:**

The interest rate applicable to financial obligations imposed in a criminal judgment is changed to two percentage points above the 26-week treasury bill rate for the December preceding the date of entry of the judgment. The interest rate is readjusted annually on January 1st of each year and the readjusted rate applies to the accrual of interest during that year.

This new method of calculating interest on criminal financial obligations applies to judgments entered on or after the effective date of the act and to the accrual of interest on existing judgments from the effective date of the act. Interest that has accrued on a judgment prior to the effective date of the act is not affected by the change in the interest rate.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Testimony For:** (Judiciary) Our entire criminal justice system is presumably geared to the hope that the person, through the course of his or her punishment, will not commit another crime. There are a couple of areas of law that degrade that hope. The interest rate on financial obligations is one of those issues.

Successful reentry of offenders into society is critical to reduce recidivism rates that are currently driving the high costs of our criminal justice system. Prison costs are eating up our education budgets and our health care budgets. The impacts go beyond just prison costs when you consider the impacts on the offender's family, which the state may end up having to support.

The Bush administration has urged states to look at all aspects of the system to try to resolve the recidivism problem. The interest rate is one of the aspects of current law that inhibits an offender's ability to reenter society. The demoralizing effect of unmanageable debt keeps offenders from being able to support themselves and their families. The 12 percent interest rate is punitive, unreasonable, and unfair. The Legislature decided last year that two points above the T-bill rate is a fair interest rate. If an offender is able to succeed, he or she will have more funds to repay restitution and financial obligations over time.

(With concerns) The main concern of county officials is not the loss of revenues to the counties, but that by tying it to the tort interest rate, you are ignoring the fact that the general civil rate is still 12 percent. The Legislature has already authorized courts to waive interest if the offender has been diligent in making payments. It is also important to remember that this will impact victims who will receive less in interest on their restitution payments. Ultimately this is about the victims, not about the loss to the counties.

**Testimony For:** (Appropriations) Helping offenders reenter society successfully reduces the societal costs and the impact on the budget because they will be less likely to re-offend. If people are demoralized by financial obligations with large interest rates, they may feel like

they will never get ahead and may not pay. If the rate is lower, they may be more likely to pay.

**Testimony Against:** (Judiciary) None.

**Testimony Against:** (Appropriations) None.

**Persons Testifying:** (Judiciary) (In support) Representative Darneille, prime sponsor; Daniel Clark, Transition and Reentry Reform Coalition; Paul Benz, Lutheran Office on Public Policy; and Roger Kluck, Friends Commission on Public Policy.

(With concerns) Debbie Wilke, Washington Association of County Officials.

**Persons Testifying:** (Appropriations) Representative Darnielle, prime sponsor; and Roger Kluck, Friends Committee on Washington Public Policy.

**Persons Signed In To Testify But Not Testifying:** (Judiciary) None.

**Persons Signed In To Testify But Not Testifying:** (Appropriations) None.