

SENATE BILL REPORT

SB 5611

As Reported By Senate Committee On:
Judiciary, March 2, 2005

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

Brief Description: Changing the interest rate on legal financial obligations.

Sponsors: Senators Esser, Kline, Regala, Hewitt, Fairley, McCaslin, Zarelli, Weinstein, Stevens, Johnson, Brandland, Hargrove and Franklin.

Brief History:

Committee Activity: Judiciary: 2/9/05, 3/2/05 [DPS, DNP].

SENATE COMMITTEE ON JUDICIARY

Majority Report: That Substitute Senate Bill No. 5611 be substituted therefor, and the substitute bill do pass.

Signed by Senators Kline, Chair; Weinstein, Vice Chair; Johnson, Ranking Minority Member; Esser, Hargrove, McCaslin, Rasmussen and Thibaudeau.

Minority Report: Do not pass.
Signed by Senator Carrell.

Staff: Lilah Amos (786-7429)

Background: When a defendant is convicted of a crime, the court is authorized to impose legal financial obligations as part of the judgment and sentence. These include victim restitution, crime victim's compensation fees, court costs, court-appointed attorney fees and costs of defense, fines, and other costs associated with the offense or sentence. The interest on that portion of the judgment and sentence which establishes victim restitution is paid to the victim. All other interest accruing on the judgment is divided 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;
- 50 percent to the county current expense fund, of which 25 percent must be used to fund local courts.

Judgments in criminal proceedings bear interest at the same rate as civil judgments which are not based on tortious conduct. That rate of interest is the maximum rate which is legal under state usury laws, which is the higher of: (1) twelve percent per annum; or (2) four percentage points above the 26-week treasury bill rate established by the Federal Reserve Board. As a result of historically low treasury bill rates, 12 percent has been the higher rate and thus the applicable interest rate on criminal financial obligation judgments for at least the last decade.

In 2004, the Legislature changed the interest rate applicable to tort judgments. The current interest rate on tort judgments is two percentage points above the 26-week treasury bill rate.

Summary of Substitute Bill: The interest rate applicable to legal financial obligations imposed on criminal defendants is reduced to two percentage points above the equivalent coupon issue yield of the average bill rate for 26-week treasury bills as determined at the first bill market auction in December of each year. All legal financial obligations will bear interest at the same rate for a 12-month period, which will be recomputed on the first day of January of each year. The new rate applies to judgments entered after the effective date of the act, and to interest accruing on existing judgments after the effective date of the act. Interest which has already accrued on judgments entered before the effective date is not affected.

Substitute Bill Compared to Original Bill: The requirement that interest be computed in the same manner as tort judgments is eliminated. A technical change is made to reconcile statutory references.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Testimony For: The current interest rate of twelve percent constitutes an unreasonable barrier to successful re-entry of criminal offenders into society. Offenders who frequently have difficulty finding employment become demoralized by unreasonable and unmanageable debt and often recidivate, creating more victims and costs for the judicial system and society. This bill does not eliminate the financial obligation but eases the payment burden.

Testimony Against: Crime victims compensation programs have a substantial deficit and are partially supported by the interest paid by offenders. This bill will have a detrimental fiscal impact on crime victims. Offenders currently have very low payment schedules and are given options to eliminate interest on their obligations if they make regular payments for 24 months. Law-abiding citizens will still have to pay the twelve percent interest rate on civil judgments.

Who Testified: PRO: Roger Kluck, Friends Committee on Washington Public Policy; Daniel Clark, Transition, Re-Entry and Reform Coalition; Paul Benz, Lutheran Public Policy.

CON: Lonnie Johns-Brown, Washington Coalition of Sexual Assault Programs; Debbie Wilke, Washington Association of County Officials.