HOUSE BILL REPORT
EHB 1730

As Passed House:
March 1, 2011

Title: An act relating to the authorization of bonds issued by Washington local governments.

Brief Description: Concerning the authorization of bonds issued by Washington local governments.

Sponsors: Representatives Jinkins, Rodne, Haler and Dunshee.

Brief History:
Committee Activity:
Local Government: 2/11/11, 2/15/11 [DP].
Floor Activity:
Passed House: 3/1/11, 96-1.

Brief Summary of Engrossed Bill

- Modifies ordinance and resolution requirements governing the issuance of bonds by a local government.
- Authorizes cities and towns to make expenditures from bond proceeds prior to the bonds being duly authorized.
- Modifies provisions governing the expenditure of unexpected fund balances remaining from the issuance of bonds by a city or town.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass. Signed by 9 members: Representatives Takko, Chair; Tharinger, Vice Chair; Angel, Ranking Minority Member; Asay, Assistant Ranking Minority Member; Fitzgibbon, Rodne, Smith, Springer and Upthegrove.

Staff: Ethan Moreno (786-7386).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Subject to statutory requirements, local governments, a term that includes counties, cities, and special purpose districts, are authorized to incur general indebtedness and to issue bonds for financing activities and purposes determined by the local government.

A local government that is authorized and elects to issue bonds must determine specific provisions pertaining to the bonds, including the issue amount, terms, conditions, interest rate or rates, and other issuance details.

City use limitations for bond proceeds specify that moneys received from the sale of bonds or warrants may only be used for the purpose for which they were issued. Additionally, no expenditure of the proceeds may be made for that purpose until the bonds have been duly authorized.

If any unexpended fund balance remains from the proceeds after the accomplishment of the purpose for which they were issued, the remaining funds must be used for the redemption of the bond or warrant indebtedness. If a city or town budget contains an expenditure program to be financed from a bond issue that has not been authorized, the city or town is prohibited from making or incurring a related expenditure until the bonds have been duly authorized.

Summary of Engrossed Bill:

If an ordinance or resolution approving the issuance of bonds authorizes an officer or employee of the local government to serve as its designated representative and to accept, on behalf of the local government, an offer to purchase those bonds, the acceptance of the offer by the representative must be consistent with the terms of the ordinance or resolution. Additionally, a county that designates a representative for bond-related purposes must do so in a manner that is consistent with its adopted debt policy.

The ordinance or resolution approving the issuance of bonds must establish specific provisions related to the bonds, including the issue amount, date or dates, denominations, and other terms and conditions considered appropriate by the issuing local government.

City use limitations for bond proceeds are modified to allow expenditures of bond proceeds prior to the bonds being duly authorized. Additionally, if any unexpended fund balance remains from the proceeds after the accomplishment of the purpose for which they were issued, the remaining funds must be used for principal of or interest on the indebtedness, consistent with applicable federal tax law.

If a city or town budget contains an expenditure program to be partially or wholly financed from a bond issue that has not been authorized, the city or town is authorized to make or incur expenditures of amounts anticipated to be reimbursed with the proceeds from the issuance and sale of the bonds, consistent with any applicable federal tax law requirements.

A general indemnification clause is included. All bonds previously issued and any reimbursement previously made with bond proceeds by a local government that are consistent with specified provisions are validated, ratified, and confirmed.

Appropriation: None.

Fiscal Note: Not requested.

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

Staff Summary of Public Testimony:

(In support) This is a cost savings and efficiency measure that will help local governments in the issuance of bonds. Allowing cities to designate a representative to act on their behalf in bond issuances will help cities be more flexible. The objective of the bill is to put clarity in state law regarding bond delegation authority; bond counsels disagree as to whether local governments have certain issuance authority. Some cities have had to form early morning council quorums to purchase bonds sold on the east coast. Last year the State Treasurer requested similar flexibility for the purpose of saving taxpayer money.

Counties use different debt issuances practices than other local governments. County treasurers are supportive of an amendment that would create language that could be used in all counties and would grant local flexibility in bond issuances.

Support also exists for the bill in its current form, as the current language allows cities and counties to be nimble in financial markets. It makes sense for counties and cities to have the same bond flexibility as the State Treasurer, and this bill will allow county treasurers to shop for the best bond rates.

(Opposed) None.

Persons Testifying: Representative Jinkins, prime sponsor; Ashley Probart, Association of Washington Cities; James McMahan and Rose Bowman, Washington Association of County Officials; and Doug Lasher, Clark County.

Persons Signed In To Testify But Not Testifying: None.