

SENATE BILL REPORT

SSB 5695

As Passed Senate, March 4, 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: Senate Committee on Government Operations, Tribal Relations & Elections (originally sponsored by Senators Fraser, Swecker and Kilmer).

Brief History:

Committee Activity: Government Operations, Tribal Relations & Elections: 2/17/11, 2/21/11 [DPS, w/oRec].

Passed Senate: 3/04/11, 49-0.

SENATE COMMITTEE ON GOVERNMENT OPERATIONS, TRIBAL RELATIONS & ELECTIONS

Majority Report: That Substitute Senate Bill No. 5695 be substituted therefor, and the substitute bill do pass.

Signed by Senators Pridemore, Chair; Prentice, Vice Chair; Swecker, Ranking Minority Member; Chase and Nelson.

Minority Report: That it be referred without recommendation.

Signed by Senator Roach.

Staff: Sharon Swanson (786-7447)

Background: 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 details related to the bond issuance.

City use limitations for bond proceeds specify that monies received from the sale of bonds or warrants may only be used for the purpose for which they were issued. Additionally, no

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expenditure of the proceeds may be made for that purpose until the bonds have been duly authorized.

If any unexpected 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 Substitute 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.

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 bonds proceeds prior to the bonds being duly authorized. Additionally, if any unexpected 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 specific provisions are validated, ratified, and confirmed.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony on Original Bill: PRO: 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. Counties use different 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.

Persons Testifying: PRO: James McMahon, Washington Association of County Officials.