

# HOUSE BILL ANALYSIS

## HB 1495

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**Brief Description:** Refunding Bond Obligations.

**Sponsors:** Representative Fisher.

### **Brief Summary of Bill**

- Allows a government entity to refund general obligation bonds with revenue bonds.
- Redefines refunding bonds to conform to Internal Revenue Code definition.

### **Background:**

State and local governments are authorized to issue and sell several types of bonds according to a uniform procedure in state and federal law. One of the types of bonds issued by governments is called refunding bonds. Refunding bonds are bonds issued for the purpose of refinancing high cost debt or restructure debt. This usually occurs when a government entity is able to issue bonds at a lower interest rate to redeem, or pay off, bonds that have a higher interest rate. There are two types of refunding bonds: advance refunding and current refunding. Advance refunding bonds are issued one year or more before the original bonds mature and current refunding bonds are issued to replace bonds that are eligible for redemption. Although both types of refunding bonds are issued in this state, current law defines advance refunding but makes no reference to current refunding.

Governments are also authorized to issue revenue bonds. Revenue bonds are any bonds that are payable from a designated revenue source or special assessment. Revenue bonds are not a general obligation debt of the issuing entity. Payment is only secured by the specific revenues pledged to pay the interest and principal on the bonds.

### **Summary:**

The distinction between advance refunding and current refunding is eliminated and redefines refunding bonds— to conform with the Internal Revenue Code. Any public body is authorized to refund general obligation bonds with revenue refunding bonds and local governments, rather than just the state, are authorized to refund revenue bonds with general obligation bonds.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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