

HOUSE BILL REPORT

SSB 5728

As Passed House - Amended:

April 8, 1999

Title: An act relating to proposed bond issues.

Brief Description: Determining the validity of proposed bond issues.

Sponsors: Senate Committee on State & Local Government (originally sponsored by Senators Winsley, Haugen, McCaslin and Hale).

Brief History:

Committee Activity:

Judiciary: 4/1/99 [DPA].

Floor Activity:

Passed House - Amended: 4/8/99, 95-0.

Brief Summary of Substitute Bill (As Amended by House Committee)

- Includes the state in the category of plaintiffs that may bring an action to determine the validity of a bond issuance.
- Expands the class of defendants named in an action determining the validity of a bond issuance to include all ratepayers and any other persons having an interest in the bond, the project, or the purpose for which the bond is issued.
- Makes the court's determination conclusive and binding on all interested parties and all other persons.

HOUSE COMMITTEE ON JUDICIARY

Majority Report: Do pass as amended. Signed by 12 members: Representatives Carrell, Republican Co-Chair; Constantine, Democratic Co-Chair; Hurst, Democratic Vice Chair; Lambert, Republican Vice Chair; Cox; Dickerson; Esser; Kastama; Lantz; Lovick; McDonald and Schindler.

Staff: Trudes Hutcheson (786-7384).

Background:

Local governmental entities, such as counties, cities, school districts, and other taxing districts, may issue bonds to produce revenue, construct schools, and for a number of other purposes.

When the local governmental entity wishes to issue a bond, the governmental entity may follow a statutorily prescribed procedure to determine if the issuance is valid. The procedure involves filing a complaint in the superior court. The governmental entity is named as the plaintiff, and the taxpayers of the taxing district are named as the defendants. The court will name one or more taxpayers as the representative of the defendants, and the court will establish a reasonable attorney fee for the attorney representing the taxpayers. The statute allows any taxpayer to intervene in the action and be represented by his or her own attorney.

Both sides of the suit are funded by the governmental entity bringing the action. The court's determination regarding the validity of the bond is binding on all taxpayers.

Summary of Amended Bill:

The statute providing the procedure to determine the validity of a bond is expanded to include the state. The state may use the procedure to determine the validity of a state-issued bond.

The defendants named in the action to determine the validity of a bond is expanded to include ratepayers and any other persons having any obligations, rights, or other interests in the bonds, issuance, or project or purpose for which the bonds are to be issued.

After filing the complaint, the plaintiff must, at least twice, place a notice in a newspaper of general circulation within the boundaries of the governmental entity, informing any interested parties that the action has commenced and stating that any interested parties may intervene in the action. A party interested in intervening must apply to the court to intervene within 10 days after the second publication of the notice.

The court's determination shall be conclusive and binding on all interested parties and all other persons.

Appropriation: None.**Fiscal Note:** Not requested.

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

Testimony For: The bill will ensure that the bond validation process will be comprehensive. By expanding the definition of "interested parties" the bill will prevent multiple challenges and will create more certainty for bond purchasers, issuers, and contractors. The requirement that notice be published in a newspaper at least twice helps to ensure that all interested parties are notified. The requirement that courts give bond cases preference will help expedite bond proceedings.

Testimony Against: None.

Testified: Jim Justin, Association of Washington Cities; and Marc Greenough, Foster, Pepper & Shefelman.