

SENATE BILL REPORT

SB 5037

AS OF JANUARY 14, 1993

Brief Description: Regulating the issuance and sale of revenue bonds by local governments.

SPONSORS: Senators Haugen and Winsley

SENATE COMMITTEE ON GOVERNMENT OPERATIONS

Staff: Rod McAulay (786-7754)

Hearing Dates: January 22, 1993

BACKGROUND:

Most of the different types of local government have been authorized to raise money by selling revenue bonds. Revenue bonds are debt instruments backed by a specific flow of income such as fees or charges to customers of the local government. Each type of governmental entity may issue bonds pursuant to their own separate statute or statutes. These statutes differ from each other in a variety of details, including whether or not revenues must be first used to pay bonded debt or to maintain the revenue producing facilities.

In 1986 the Legislature enacted a uniform procedure authorizing local governments to issue revenue bonds. This uniform procedure is an alternative, providing the local governments with an option of issuing bonds either under their specific statutes or under the uniform statute.

When a local government has outstanding revenue bonds, but desires to issue additional bonds to refund the old bonds or to finance additional projects, they will often issue "parity" bonds. "Parity" bonds are revenue bonds which have an equal, rather than a junior, claim on the revenue stream pledged to pay the existing bonds. They are a subsequent issuance authorized by the original bonds provided certain financial thresholds are met. Because the "parity" bonds have an equal claim on the revenue, they can often be issued at lower interest rates and a lower cost than a totally new bond issue.

SUMMARY:

The authority of certain local governments to issue revenue bonds, other than by the uniform procedure enacted in 1986, is repealed. The uniform procedure is the exclusive rather than an alternative authority. Affected governments may no longer issue "parity" bonds where outstanding bonds have been issued under the repealed provisions.

The local governments affected are towns, cities, code cities, counties, municipal airports, metros, port districts, PUDs, sewer districts, water districts, public hospital districts, flood control districts, irrigation districts and reclamation districts. Specific funding districts of cities, counties and ports, such as pollution control districts, convention facilities, housing authorities, and solid waste facilities, are also affected. Industrial development revenue bonds and joint operating agencies (electrical power generation) may not use the uniform procedure.

Appropriation: none

Revenue: none

Fiscal Note: requested January 13, 1993