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## Capital Budget Committee

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### HB 1182

**Brief Description:** Making payments under certain bond authorization acts.

**Sponsors:** Representatives Springer, Green and Ormsby; by request of State Treasurer.

<p style="text-align: center;"><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Eliminates the 30-day transfer requirement for posting bond principal and interest payments on certain bonds.</li></ul>
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**Hearing Date:** 2/2/05

**Staff:** Marziah Kiehn-Sanford (786-7349).

**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. These bonds include general obligation bonds, revenue bonds, and refunding bonds. General obligation bonds are a general obligation of the issuing entity. Revenue bonds are payable only from a designated revenue source or special assessment. Revenue bonds are not a general obligation debt of the issuing entity.

State and local governments are also authorized to issue refunding bonds to refinance high cost debt or to restructure debt.

All capital budget bond bills since 1996 have provided for "same day" transfers from the state general fund to a debt service fund. The debt service is paid from the debt service funds by automated clearing house (ACH) a central distribution and settlement system for electronic clearing of debits and credits between financial institutions to a fiscal agent who pays the bondholders.

Prior to the widespread use of computers and the ACH, debt service was transferred 30 days in advance of the payment date or some other specified interval. The Treasurer estimates that as of October 31, 2004, approximately \$638 million of the \$9.7 billion in outstanding bonds requires 30-day transfers.

**Summary of Bill:**

The 30-day transfer requirement is eliminated. Expenditures will be posted in the fiscal year in which the bond principal and interest payment is due.

**Appropriation:** None.

**Fiscal Note:** Available.

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