

HOUSE BILL REPORT

HB 1182

As Reported by House Committee On: Capital Budget

Title: An act relating to making payments under certain bond authorization acts.

Brief Description: Making payments under certain bond authorization acts.

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

Brief History:

Committee Activity:

Capital Budget: 2/2/05, 2/10/05 [DP].

Brief Summary of Bill

- Eliminates the 30-day transfer requirement for posting bond principal and interest payments on certain bonds.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass. Signed by 26 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Jarrett, Ranking Minority Member; Hankins, Assistant Ranking Minority Member; Blake, Chase, Cox, Eickmeyer, Ericks, Flannigan, Green, Hasegawa, Holmquist, Kretz, Kristiansen, Lantz, McCune, Moeller, Morrell, Newhouse, O'Brien, Roach, Serben, Springer, Strow and Upthegrove.

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 State Treasurer estimates that as of October 31, 2004, approximately \$638 million of the \$9.7 billion in outstanding bonds require 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.

Testimony For: The 30-day transfer requirement for posting bond principal and interest payments is outdated. The 30-day time allowance for paperwork is no longer necessary. This bill would alleviate unnecessary administration and does not result in any additional cost to the state.

Testimony Against: None.

Persons Testifying: Allan Martin and Susan Penley, Office of the State Treasurer.

Persons Signed In To Testify But Not Testifying: None.