

# HOUSE BILL REPORT

## SSB 5611

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### As Reported by House Committee On:

Judiciary  
Appropriations

**Title:** An act relating to the interest rate on legal financial obligations.

**Brief Description:** Changing the interest rate on legal financial obligations.

### Brief History:

#### Committee Activity:

Judiciary: 3/29/05, 3/31/05 [DPA];  
Appropriations: 4/2/05 [DPA(JUDI)].

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

- Changes the interest rate applicable to financial obligations imposed in a criminal judgment to a rate determined on an annual basis by adding two percentage points to the December 26-week treasury bill rate.

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### HOUSE COMMITTEE ON JUDICIARY

**Majority Report:** Do pass as amended. Signed by 8 members: Representatives Lantz, Chair; Flannigan, Vice Chair; Williams, Vice Chair; Priest, Ranking Minority Member; Campbell, Kirby, Springer and Wood.

**Minority Report:** Do not pass. Signed by 2 members: Representatives Rodne, Assistant Ranking Minority Member; and Serben.

**Staff:** Edie Adams (786-7180).

#### Background:

When a defendant is convicted of a crime, the court may impose financial obligations as part of the judgment and sentence. Financial obligations that may be imposed on a defendant include: victim restitution; crime victims' compensation fees; court costs; court-appointed attorneys' fees and costs of defense; fines; and other costs associated with the offense or sentence.

Judgments for financial obligations in criminal proceedings bear interest from the date of judgment at the same rate that is applicable to civil judgments. The rate of interest generally applicable to civil judgments is the greater of 12 percent or four points above the 26-week

treasury bill rate. As a result of low treasury bill rates, 12 percent has been the applicable interest rate on criminal financial obligation judgments for at least the last decade.

In 2004, the Legislature established a new method of calculating the interest rate applicable to tort judgments; previously the rate was the same as the general civil judgment rate. The interest rate now established for tort judgments is two percentage points above the 26-week treasury bill rate.

Interest that accrues on the restitution portion of a criminal financial obligation is paid to the victim of the offense. All other interest accruing on the judgment is split between the state and the county as follows:

- 25 percent to the state for the Public Safety and Education Account;
- 25 percent to the state for the Judicial Information Systems Account; and
- 50 percent to the county current expense fund, 25 percent of which must be used to fund local courts.

The Public Safety and Education Account is used to fund a variety of programs, including criminal justice training, crime victim's compensation, indigent representation, the judicial information system, and highway and traffic safety. The Judicial Information Systems Account is used to acquire the equipment, software, supplies, and services necessary to provide information systems for the judiciary and information systems access to non-court users. The county current expense fund is the general county fund used to fund county expenses.

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### **Summary of Amended Bill:**

The interest rate applicable to financial obligations imposed in a criminal judgment is changed to two percentage points above the average bill rate for 26-week treasury bills as determined at the first auction conducted in the month of December immediately preceding the judgment. This rate is readjusted on the first day of January of each year and applies to legal financial obligations for all offenders during the calendar year.

This new method of calculating interest on criminal financial obligations applies to judgments entered on or after the effective date of the act and to the accrual of interest on existing judgments from the effective date of the act. Interest that has accrued on a judgment prior to the effective date of the act is not affected by the change in the interest rate.

### **Amended Bill Compared to Substitute Bill:**

The amended bill makes a conforming amendment to another provision of law that specifies the rate of interest applicable to criminal financial obligations.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** This bill is aimed at reducing recidivism. It is important that offenders be successful in their efforts to re-enter society. The cost to society when offenders re-offend is very high. The excessive interest rate is demoralizing to ex-offenders. With the 12 percent interest rate, an offender can make monthly payments and still see his or her debts increasing. Lowering the interest rate will result in higher payment rates by offenders and will help keep them paying over time.

**Testimony Against:** There are three areas of concern posed by this bill. First, the bill will result in a loss of interest to victims for their restitution. In King County alone, the estimated loss to victims is \$400,000. Second, there is a matter of equity involved in that the rate of interest on general civil judgments remains at 12 percent while the rate for offenders is lowered. Third, this bill lessens the accountability of offenders. Courts already have the ability to work with offenders to set up payment plans, and after two years of paying diligently the offender can have the interest on the obligation waived.

**Persons Testifying:** (In support) Roger Kluck, Friends Committee on Washington Public Policy.

(Opposed) Debbie Wilke, Washington Association of County Officials.

**Persons Signed In To Testify But Not Testifying:** None.

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## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** Do pass as amended by Committee on Judiciary. Signed by 19 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Cody, Conway, Darneille, Dunshee, Grant, Haigh, Hunter, Kagi, Kenney, Kessler, Linville, McDermott, McIntire, Miloscia, Priest, Schual-Berke and Walsh.

**Minority Report:** Do not pass. Signed by 9 members: Representatives Alexander, Ranking Minority Member; Anderson, Assistant Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Bailey, Buri, Clements, Hinkle, Pearson and Talcott.

**Staff:** Nona Snell (786-7153).

### **Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Judiciary:**

No new changes were recommended.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** The bill is essential for the successful re-entry of inmates into society. The interest rate accumulates during incarceration and is a burden to a person attempting to re-enter society from prison. The costs of recidivism are high and are paid by everyone.

Approximately 60 percent of inmates are not paying legal financial obligations (LFO) because the interest rate is high. The fiscal note does not consider the cost of recidivism or the cost savings of successful re-entry of inmates back into society.

Waivers of LFOs are possible if the principal or 24 months of consecutive payments are made. If the interest rate on LFOs is lower, fewer people will ask for waivers.

**Testimony Against:** None.

**Persons Testifying:** Roger Kluck, Friends Committee on Washington Public Policy and Transition and Re-entry Reform Coalition.

**Persons Signed In To Testify But Not Testifying:** None.