

HOUSE BILL REPORT

SSB 5695

As Passed House - Amended:

April 11, 2011

Title: An act relating to the authorization of bonds issued by Washington local governments.

Brief Description: Concerning the authorization of bonds issued by Washington local governments.

Sponsors: Senate Committee on Government Operations, Tribal Relations & Elections (originally sponsored by Senators Fraser, Swecker and Kilmer).

Brief History:

Committee Activity:

Local Government: 3/15/11 [DPA].

Floor Activity:

Passed House - Amended: 4/11/11, 96-1.

Brief Summary of Substitute Bill (As Amended by House)

- Modifies ordinance and resolution requirements governing the issuance of bonds by a local government.
- Authorizes cities and towns to make expenditures from bond proceeds prior to the bonds being duly authorized.
- Modifies provisions governing the expenditure of unexpected fund balances remaining from the issuance of bonds by a city or town.
- Establishes additional content requirements for ballot propositions for excess property tax levies.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass as amended. Signed by 9 members: Representatives Takko, Chair; Tharinger, Vice Chair; Angel, Ranking Minority Member; Asay, Assistant Ranking Minority Member; Fitzgibbon, Rodne, Smith, Springer and Upthegrove.

Staff: Ethan Moreno (786-7386).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Background:

Subject to statutory requirements, local governments, a term that includes counties, cities, and special purpose districts, are authorized to incur general indebtedness and to issue bonds for financing activities and purposes determined by the local government. A local government that is authorized and elects to issue bonds must determine specific provisions pertaining to the bonds, including the issue amount, terms, conditions, interest rate or rates, and other issuance details.

City use limitations for bond proceeds specify that moneys received from the sale of bonds or warrants may only be used for the purpose for which they were issued. Additionally, no expenditure of the proceeds may be made for that purpose until the bonds have been duly authorized.

If any unexpended fund balance remains from the proceeds after the accomplishment of the purpose for which they were issued, the remaining funds must be used for the redemption of the bond or warrant indebtedness. If a city or town budget contains an expenditure program to be financed from a bond issue that has not been authorized, the city or town is prohibited from making or incurring a related expenditure until the bonds have been duly authorized.

In addition to regular property tax levies imposed without voter approval, taxing districts may impose additional or excess levies for capital or other purposes through voter-approved ballot propositions. The ballot propositions must indicate the estimated levy rate required to produce the proposed dollar amount.

Summary of Amended Bill:

If an ordinance or resolution approving the issuance of bonds authorizes an officer or employee of the local government to serve as its designated representative and to accept, on behalf of the local government, an offer to purchase those bonds, the acceptance of the offer by the representative must be consistent with the terms of the ordinance or resolution. Additionally, a county that designates a representative for bond-related purposes must do so in a manner that is consistent with its adopted debt policy.

The ordinance or resolution approving the issuance of bonds must establish specific provisions related to the bonds, including the issue amount, date or dates, denominations, and other terms and conditions considered appropriate by the issuing local government.

City use limitations for bond proceeds are modified to allow expenditures of bond proceeds prior to the bonds being duly authorized. Additionally, if any unexpended fund balance remains from the proceeds after the accomplishment of the purpose for which they were issued, the remaining funds must be used for principal of or interest on the indebtedness, consistent with applicable federal tax law.

If a city or town budget contains an expenditure program to be partially or wholly financed from a bond issue that has not been authorized, the city or town is authorized to make or incur expenditures of amounts anticipated to be reimbursed with the proceeds from the issuance and sale of the bonds, consistent with any applicable federal tax law requirements.

A general indemnification clause is included. All bonds previously issued and any reimbursement previously made with bond proceeds by a local government that are consistent with specified provisions are validated, ratified, and confirmed.

Ballot propositions for excess property tax levies must satisfy additional content requirements, including indicating whether the levied funds will be pledged to pay for principal and interest on bonds, comparing the financial impact of the levy with the taxing district's prior year levy, if any, and describing the levy rate as advisory only.

Appropriation: None.

Fiscal Note: Not requested.

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

Staff Summary of Public Testimony:

(In support) This bill, which is a companion to Engrossed House Bill 1730, clarifies existing law by specifying how a county finance committee can designate a bond purchasing authority. Under current law, some cities believe that a quorum of the council is necessary for bond purchases. Forming an early morning quorum in Washington State for an East Coast bond purchase can be difficult. This bill provides cities with additional bond purchasing flexibility.

(Opposed) None.

Persons Testifying: Ashley Probart, Association of Washington Cities.

Persons Signed In To Testify But Not Testifying: None.