

# FINAL BILL REPORT

## SHB 3099

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Synopsis as Enacted

**Brief Description:** Concerning the issuance of state and local government bonds.

**Sponsors:** By House Committee on Capital Budget (originally sponsored by Representatives Dunshee, Barlean, Murray, Reardon, Koster and Lovick).

**House Committee on Capital Budget**  
**Senate Committee on Ways & Means**

### **Background:**

Most of the construction or acquisition of capital facilities by state and local governments is financed by long-term debt instruments including revenue bonds, general obligation bonds, lease purchase agreements, and other contractual arrangements. All of these arrangements contain obligations to make payments on the amount borrowed plus interest. The interest rate, which is generally a fixed rate, is determined by the financial markets at the time the obligation is incurred.

In 1993 the Legislature authorized state and local governments with debt or annual revenues in excess of \$100 million to participate in swap agreements. Swaps are contracts in which the parties trade their respective interest payment obligations on a specified amount of debt for a specified period of time. The transactions virtually always involve trading a fixed rate obligation for a variable rate obligation. These swap agreements do not alter or impair the basic obligation to pay the bond holders. One party agrees to make the payments owed by the other party and vice versa for a given period of time. The advantages of such trades include long-term and short-term interest rate cost savings and stability of payment obligations.

The first authorization for swap agreements was limited to two years and expired in 1995. In 1995 the Legislature extended the authorization five additional years to June 30, 2000. Several local governments have used these agreements and have reported substantial savings to their debt management program.

Counties are authorized to create lake management districts for a period of up to ten years for the purpose of financing improvements and maintenance through special assessments. Any resolution or petition for the creation of a lake management district must include the proposed duration of the district.

### **Summary of Bill:**

The authority for state and local governments to use debt payment swap agreements is extended five years from June 30, 2000, to June 30, 2005. Debt payment agreements may continue to be used for restructuring government debt but may no longer to be used for investing government funds.

The ten-year limit on the duration of lake management districts and the term of lake management district bonds is removed.

**Votes on Final Passage:**

House 96 0

Senate 44 0 (Senate amended)

House 98 0 (House concurred)

**Effective:** July 1, 2000