

FINAL BILL REPORT

HB 1487

C 154 L 05

Synopsis as Enacted

Brief Description: Concerning payment agreements.

Sponsors: By Representatives Ormsby, Dunshee, Serben and Crouse.

House Committee on Capital Budget

Senate Committee on Government Operations & Elections

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 under which the parties trade their respective interest payment obligations on a specified amount of debt for a specified period of time. The transactions usually 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 first authorization for swap agreements was limited to two years and was set to expire on June 30, 1995. In 1995 and 2000, the Legislature extended the authorization in five year increments to June 30, 2005.

In 2004, the expiration date for authorization of state and local governments to use "swap" agreements was repealed. State and local governments, with the addition of city transportation authorities, were authorized to enter into these agreements after June 30, 2005.

Summary:

Public facilities districts are added to the list of local governmental entities that may use "swap" agreements.

Votes on Final Passage:

House	95	0
Senate	49	0

Effective: July 24, 2005