

# FINAL BILL REPORT

## HB 3172

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C 108 L 04

Synopsis as Enacted

**Brief Description:** Providing for payment agreements.

**Sponsors:** By Representatives Dunshee, Sommers and Sehlin.

**House Committee on Capital Budget**  
**Senate Committee on Economic Development**

**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 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 underlying obligation. 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 in 1995. In 1995 the Legislature extended the authorization five additional years to June 30, 2000. The authority for state and local governments to use debt payment "swap" agreements was again extended five years to June 30, 2005.

**Summary:**

The termination of the authority for state and local governments to use certain debt payment agreements, or "swap" agreements, is repealed. State and local governments, with the addition of city transportation authorities and regional transportation authorities, may continue to enter into these agreements after June 30, 2005.

**Votes on Final Passage:**

House	95	0	
Senate	48	0	(Senate amended)
House	94	1	(House concurred)

**Effective:** June 10, 2004