



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #184

### **GPR Debt Service Reestimate (Building Commission)**

[LFB 2005-07 Budget Summary: Debt Service Reestimate Items Under Various Agencies]

#### **CURRENT LAW**

Debt service payments are made from sum sufficient appropriations established for principal and interest repayments on the \$4.876 billion in outstanding general obligation bonds authorized for specific purposes and any additional bonds issued in the biennium.

For 2004-05, net GPR debt service, after projected lapses, is estimated at \$331,245,100.

#### **GOVERNOR**

AB 100 provides total funding of \$466.6 million in 2005-06 and \$502.2 million in 2006-07 for estimated GPR debt service payments in the 2005-07 biennium. In addition, the administration estimates lapses from GPR debt service appropriations at \$26.9 million in 2005-06 and \$13.4 million to reflect GPR debt service savings associated with the following: (a) \$22.9 million in 2005-06 and \$9.4 million in 2006-07 associated with premiums on recent bond issues that will be used to offset the debt service costs of the purposes for which the bonds were issued; and (b) \$4.0 million annually associated with interest earnings on the bond security redemption fund, which is allocated as an offset to debt service appropriations, and with the reallocation of debt service associated with the Building Commission's other public purpose bonding authority to program revenue and segregated revenue debt service appropriations. As a result, net GPR debt service payments in the biennium are estimated at \$439.7 million in 2005-06 and \$487.8 million in 2006-07.

#### **MODIFICATION**

Reestimate the net 2004-05 GPR debt service after lapses at \$318,530,300, or \$12,714,800 lower than the earlier estimate. This lower amount of debt service is due to additional lapses from the GPR debt service appropriations associated with premiums on recent bond issues that are

applied to the GPR debt service appropriations associated with the purpose for which the bonds were issued. This will have the effect of increasing the opening balance for the 2005-07 biennium by an estimated \$12,714,800.

In addition, decrease the net amount of GPR debt service required in the 2005-07 biennium after projected lapses by \$14,503,300 in 2005-06 and \$474,000 in 2006-07 as follows: (a) reduce GPR debt service appropriations by \$38,903,300 in 2005-06 and \$11,374,000 in 2006-07; (b) reduce the projected lapses from GPR debt service appropriations by \$24,400,000 in 2005-06 and \$10,900,000 in 2006-07. These changes will result in GPR debt service appropriations totaling \$427,725,800 in 2005-06 and \$487,336,900 in 2006-07 and estimated GPR debt service lapses of \$2,500,000 annually for net debt service of an estimated \$425,225,800 in 2005-06 and \$487,336,900 in 2006-07. Other debt service related adjustments would be to: (a) increase the UW fuel and utilities appropriation by \$4,157,500 GPR in 2005-06 and \$5,092,600 GPR in 2006-07 to pay debt service associated with the UW-Madison co-generation facility (this funding was inadvertently included in a debt service appropriation under AB 100); and (b) provide \$256,500 PR in 2005-06 and \$258,700 PR in 2006-07 from tribal gaming revenues for debt service relating to the UW aquaculture demonstration facility.

**Explanation:** Since the introduction of AB 100, additional information on recent bond issues has become available. Capital finance staff in the Department of Administration and staff from this office have reviewed that information and estimate that GPR debt service appropriations could be reduced by approximately \$38.9 million in 2005-06 and \$11.4 million in 2006-07. However, a portion of these reductions in GPR debt service appropriations would be offset by an estimated reduction in lapses from GPR debt service appropriations of \$24.4 million in 2005-06 and \$10.9 million in 2006-07 associated with the bond premiums, on which the lapses under AB 100 are based, being allocated to the individual GPR debt service appropriations under this reestimate. In addition, there would be GPR debt service savings in 2004-05 of \$12,714,800. Finally, two adjustments would be made to the treatment of debt service costs relating to two UW System projects. As a result, the net savings to the general fund of all these changes would be \$17,926,800.

<u>Modification</u>	<u>GPR</u>	<u>PR</u>	<u>GPR-REV</u>
<b>2005-07 FUNDING</b> (Change to Bill)	- \$41,027,200	\$515,200	
<b>2004-05 FUNDING</b> (Change to Bill)	- \$12,714,800		
<b>2005-07 REVENUE</b> (Change to Bill)			- \$515,200
<b>2005-07 LAPSE</b> (Change to Bill)	- \$35,300,000		

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