



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #180

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

[LFB 2009-11 Budget Summary: Page 119, #1 and #2]

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#### **CURRENT LAW**

Debt service payments are made from sum sufficient appropriations established for principal and interest repayments on the \$5.9 billion in outstanding general obligation bonds as of December 1, 2008, and any additional bonds issued in the biennium. Of the outstanding debt, \$4.2 billion will be repaid with GPR.

Net GPR debt service is estimated at \$449.6 million for 2008-09 after projected lapses.

#### **GOVERNOR**

AB 75 would provide total funding of \$527.9 million in 2009-10 and \$543.5 million in 2008-09 for estimated GPR debt service payments in the 2009-11 biennium. Estimated lapses from GPR sum sufficient debt service appropriations are \$57 million annually associated with the restructuring the GPR principal amounts of commercial paper that would otherwise be due in 2009-10 and 2010-11. Under this restructuring, the administration will use its current law authority to issue long-term bonds to restructure approximately \$57 million annually in GPR commercial paper principal that otherwise would be paid off in the 2009-11 biennium. As a result, net GPR debt service payments in the biennium are estimated at \$470.9 million in 2009-10 and \$486.5 million in 2010-11.

#### **MODIFICATION**

Decrease the net amount of GPR debt service required in the 2009-11 biennium by \$2 million annually to reflect projected lapses attributable to interest earnings on the bond security redemption fund which are allocated to debt service appropriations each year and to the reallocation of debt service from the Building Commission's other public purpose bonding to program revenue

and segregated revenue debt service appropriations. These changes will result in GPR debt service appropriations totaling \$527,890,100 in 2009-10 and \$543,459,800 2010-11 and estimated GPR debt service lapses of \$59 million annually (\$57 million annually associated with the restructuring of GPR debt included in AB 75 and \$2 million annually under this reestimate). Net GPR debt service after these GPR-Lapse amounts would total an estimated \$468,890,100 in 2009-10 and \$484,459,800 in 2010-11. As a result, the total increase to the available general fund balance would be \$2 million annually.

**Explanation:** Since the introduction on AB 75, DOA Capital Finance has provided information on the estimated debt service payments for the 2009-11 biennium included in the bill. This office has reviewed that information and estimates that GPR debt service payments could be reduced by approximately \$2 million annually. These reestimates are associated with: (a) interest earnings on the bond security redemption fund being proportionately applied to GPR debt service appropriations in the biennium; and (b) the reallocation of GPR debt service associated with the Building Commission's other public purpose bonding authority to program revenue and segregated revenue debt service appropriations.

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|-----------------------|-------------|
| <b>Change to Bill</b> |             |
| Balance               |             |
| GPR-Lapse             | \$4,000,000 |

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