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Joint Committee on Finance

Paper #170

GPR Debt Service Reestimate (Building Commission)

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CURRENT LAW

Debt service payments are made from sum sufficient appropriations established for principal and interest repayments on the \$8.1 billion in outstanding general obligation bonds as of December 15, 2016, and any additional bonds issued in the biennium. Of the outstanding debt principal, \$4.8 billion will be repaid with GPR.

GOVERNOR

Provide a total of \$596,982,300 GPR in 2017-18 and \$579,242,800 GPR in 2018-19 in agency GPR sum sufficient debt service appropriations to fund the annual debt service payments on GPR-supported bonds issued to date and those amounts to be issued in the biennium. Base level funding is \$582,263,000.

MODIFICATION

Decrease estimated GPR debt service in 2017-18 by \$4,407,500 and increase GPR debt service in 2018-19 by \$4,311,600. Estimate GPR-Lapses attributable to interest earnings on the bond security and redemption fund of \$150,000 annually. Net GPR debt service would total \$592,424,800 in 2017-18 and \$583,404,400 in 2018-19. In addition, adjust the opening balance by \$1,816,300 to reflect estimated debt service savings in 2016-17.

Explanation: Since the introduction of AB 64/SB 30, DOA Capital Finance has provided updated information on the estimated debt service payments included in the bill for the 2017-19 biennium. This office has reviewed those estimates and agrees with the DOA

projections that GPR debt service payments would be reduced by \$4,407,500 in 2017-18 and increased by \$4,311,600 in 2018-19. The estimated decrease in 2017-18 and increase in 2018-19 are generally associated with changes in capital budget assumptions, bond issuance assumptions, and short-term variable rate debt that was issued in March, 2017. This debt will be repaid over a three year amortization schedule, with the first principal payment scheduled in 2018-19. In addition, estimated interest earnings on balances held in the bond security and redemption fund of \$150,000 annually would be used to pay debt service, which is shown as a GPR-Lapse. Finally, it is estimated that GPR debt service expenditures in 2016-17 will be \$1,816,300 less than previously estimated in January, 2017, which will increase the 2017-18 opening balance correspondingly.

	2017-18 Opening Balance	Change to Bill 2017-19	Net Change 2016-17, 2017-19
GPR	- \$1,816,300*	- \$95,900	- \$1,912,200
GPR-Lapse	<u>0</u>	<u>300,000</u>	<u>300,000</u>
Net GPR	- \$1,816,300	- \$395,900	- \$2,212,200

*A reduction of \$1,816,300 GPR, which increases the opening balance by a similar amount.

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