



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #177

### Interest Savings from Bond Prepayment (Building Commission)

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#### CURRENT LAW

In each year of the 2019-21 biennium, the general fund will pay \$2.4 million GPR for interest costs associated with \$56.2 million of outstanding general obligation debt from three specific bond issues with call dates in 2019-20 and 2021-22. Total GPR debt service (both principal and interest) on all GPR supported general obligation debt is estimated to be \$572.4 million in 2019-20 and \$563.8 million in 2020-21.

On May 15, 2019, the Legislative Fiscal Bureau estimated that the ending balance in 2018-19 for the general fund will be higher than previously estimated by \$312 million.

#### GOVERNOR

Use a portion of the estimated \$312 million increase to the 2018-19 general fund balance to prepay \$56.2 million of outstanding general obligation debt.

#### MODIFICATION

Estimate savings to the general fund equal to \$2.4 million in each year of the 2019-21 biennium to reflect GPR savings on interest costs due to prepaying \$56.2 million of outstanding general obligation debt.

**Explanation:** The Governor is using a portion of the estimated \$312 million increase to the general fund balance in 2018-19 to pay off \$56.2 million of outstanding general obligation debt. Due to this decision, the state will not pay \$2.4 million of annual interest costs scheduled for payment in 2019-20 and 2020-21, which will result in general fund savings equal to \$4.8 million in the 2019-21 biennium. From 2021-22 through 2030-31, GPR debt service associated with these specific bond issues will be reduced by an estimated \$65.7 million, for a total savings from this transaction of \$70.5 million in GPR debt service, at the cost of an

initial prepayment of an estimated \$57.3 million GPR in 2018-19.

	<b>Change to</b>	
	<b>Base</b>	<b>Bill</b>
GPR-Lapse	- \$4,800,000	- \$4,800,000

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