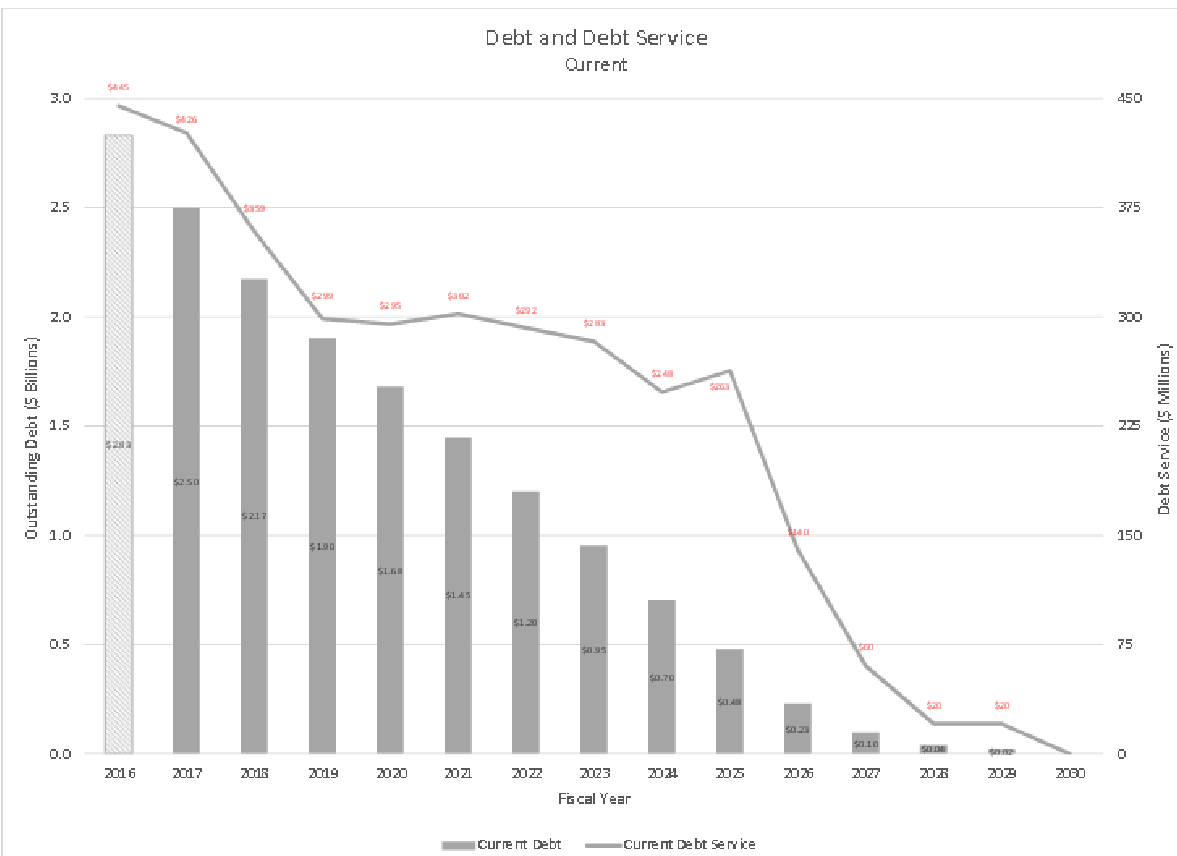
Fiscal Highlights

Current Debt Service and Prison Debt Modeling - Brian Wikle

The State of Utah often uses bonds to finance large capital expenditures including new facility construction, major remodeling, and highway projects, and such bonds add to the State's indebtedness. The State is limited in borrowing to 1.5 percent of the value of taxable property in the state (see Utah Constitution, Article XIV, Section 1). In practice, the State stays well below the constitutional debt limit in an effort to maintain a sound financial position. Current outstanding General Obligation (GO) debt totals $2.499 billion and the debt limit based on the latest official property valuation is $4.556 billion giving a debt to debt limit ratio of 54.8 percent. The State made payments toward GO bond principal totaling $331,255,000 on July 1, 2015. The next payments toward principal will total $324,910,000 and will occur on July 1, 2016. Without issuance of further debt, the debt to debt limit ratio will fall to 47.7 percent next July.

The following chart shows the payoff schedule of current outstanding debt and debt service each fiscal year through 2030 when current debt will be retired. Debt outstanding is depicted as columns with black font in the column showing the debt amount, and the scale is the left hand y-axis; debt service is depicted as a line with red font showing the amount, and the scale is the right hand y-axis.



In the 2015 General Session, the Legislature authorized issuance of up to $470 million in bonds for relocation of the prison, and additional bonding may be authorized by future legislatures. Once authorized, the State Treasurer has discretion to issue bonds. In doing so, the Treasurer considers the State's overall financial position, the financing needs for a particular project, and conditions in the bond market along with other factors. The following chart depicts a hypothetical scenario in which the full $470 million of bonding authorized for the prison project is issued at three percent interest in three series that are repaid over seven years: Series 1 - $120 million issued in 2016 with the first payment on July 1, 2017; Series 2 - $230 million issued in 2017 with the first payment on July 1, 2018; and, Series 3 - $120 million issued in 2018 with the first payment on July 1, 2019.