

Compendium of Budget Information for the 2014 General Session

Infrastructure and General Government Appropriations Subcommittee

Agency: Debt Service

Function

The Debt Service line item contains appropriations necessary to pay off interest, principal, and fees due on the state's bonded indebtedness. The state uses long-term debt to finance large capital expenditures including new buildings, major remodeling, and highway projects. The state issues general obligation bonds backed by the full faith and credit of the state and revenue bonds secured by dedicated revenue streams such as enterprise fund revenue or dedicated lease payments. Both general obligation and revenue bond debt, issued by the state, are included in this line item. Bonds issued by entities besides the State of Utah, such as institutions of higher education or loan funds, are not included in this line item.

Statutory Authority

Article XIV, Section 1 of the State Constitution, the "Constitutional Debt Limit," limits the total general obligation indebtedness of the state to an amount equal to 1.5 percent of the value of the total taxable property of the state.

UCA 63J-3-402, the "Statutory Debt Limit," limits the maximum general obligation borrowing ability of the state at any given time to no more than forty five percent of the maximum allowable state budget appropriations limit set in UCA 63J-3-201 (a formula that reflects changes in population and inflation). Some highway bonds are exempt from this debt limitation.

UCA 63B-1-201 creates the State Bonding Commission composed of the governor, state treasurer, and a third person appointed by the governor.

UCA 63B-1-202 requires that all legislation authorizing the State Bonding Commission to issue bonds contain an estimate of the annual amount of funds necessary for operation and maintenance of each project.

UCA 63B-1-304 creates the State Building Ownership Authority composed of the governor, state treasurer, and the chair of the State Building Board. The authority may, among other things, borrow money and issue obligations (including refunding obligations); pledge revenues from any facility to secure the payment of obligations relating to that facility; cause to be executed mortgages, trust deeds, and other documents; own, lease, operate and encumber facilities; and rent or lease any facility to any state body. Any obligations issued by the authority may not constitute general obligation debt of the state and must be legislatively authorized.

UCA 63B-1-307 requires the State Building Ownership Authority to lease space back to the agency for which obligations were issued. Rent amounts must be sufficient to pay off the principal and interest as they come due.

UCA 63B-1a, known as the "Master General Obligation Bond Act," authorizes the State Bonding Commission to issue bonds only if the Legislature has affirmatively authorized the issuance of the bonds, the capital projects to be funded, and the maximum amount of the bonds.

Article XIII Section 5(3) of the State Constitution requires a tax levy to pay off general obligation bonds within 20 years while UCA 63B-1a-101(4) limits maturity dates to 15 years unless otherwise directed by the Legislature.

UCA 63B-1a-301 requires that a sinking fund be created to pay debt service on general obligation bonds. The State Treasurer administers the fund and deposits monies into the fund as necessary to pay debt service. Any bond monies remaining after a project is completed are to be deposited in the sinking fund.

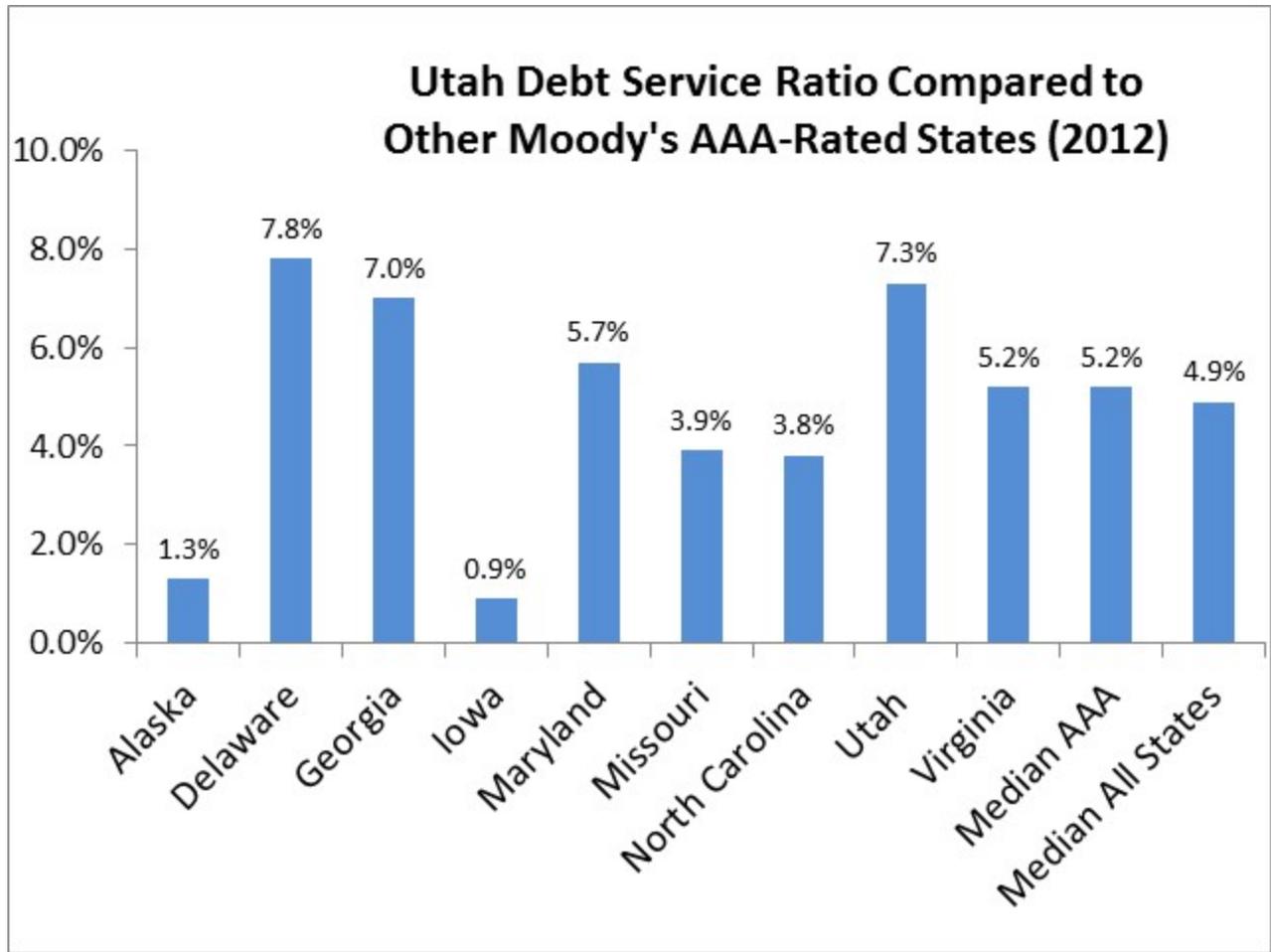
UCA 63B-1a-303 levies a direct property tax each year after bonds are issued until they are paid off, sufficient to pay principal, interest, and premiums on each bond. However, subsection (5) abates the tax to the extent money is available from other sources.

UCA 63B-1a-601 allows the State Bonding Commission to issue bond anticipation notes that represent a general obligation of the state. Notes are payable from proceeds of the sale of bonds and/or other monies of the state.

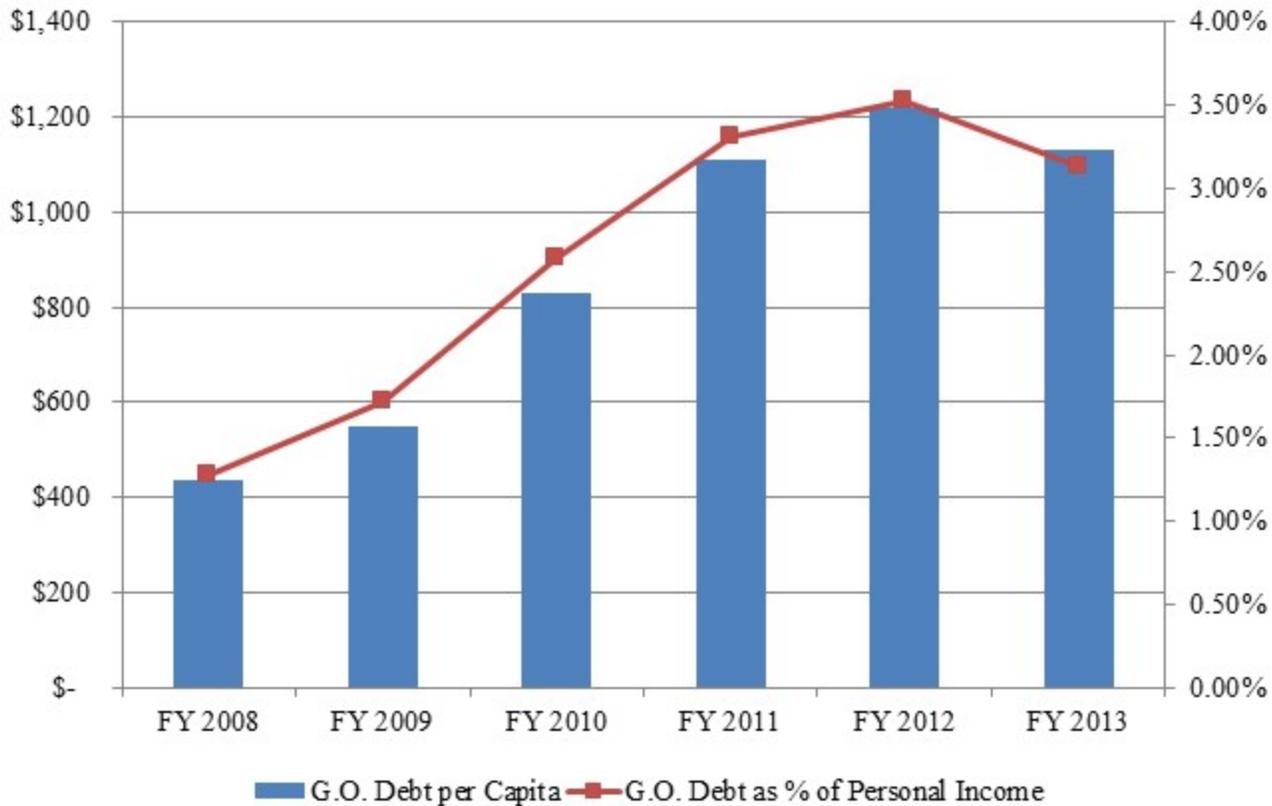
Further Information

Outstanding GO Bond Indebtedness

	<u>Series</u>	<u>Original Amount</u>	<u>Final Maturity Date</u>	<u>Outstanding as of Jan 1, 2014</u>
Capital Facility Projects	2009B	\$ 104,450,000	July 1, 2015	\$ 44,100,000
	2009C	\$ 126,780,000	July 1, 2015	\$ 51,045,000
	2010A	\$ 79,710,000	July 1, 2016	\$ 76,710,000
	2011	\$ 46,860,000	July 1, 2017	\$ 46,860,000
	2012A	\$ 33,240,000	July 1, 2017	\$ 33,240,000
Highway Projects	2004A*	\$ 314,775,000	July 1, 2016	\$ 204,910,000
	2004B	\$ 47,050,000	July 1, 2014	\$ 3,950,000
	2007A	\$ 68,995,000	July 1, 2014	\$ 11,215,000
	2009A	\$ 394,360,000	July 1, 2019	\$ 150,005,000
	2009C	\$ 363,630,000	July 1, 2018	\$ 302,105,000
	2009D	\$ 491,760,000	July 1, 2024	\$ 491,760,000
	2010A	\$ 333,280,000	July 1, 2017	\$ 191,000,000
	2010B	\$ 621,980,000	July 1, 2025	\$ 621,980,000
	2010C*	\$ 172,055,000	July 1, 2019	\$ 172,055,000
	2011	\$ 563,060,000	July 1, 2026	\$ 505,535,000
	2012A*	\$ 4,110,000	July 1, 2015	\$ 4,110,000
	2013	\$ 226,175,000	July 1, 2028	\$ 226,175,000
	<i>*refunding</i>			



Utah State G.O. Debt Ratios



Funding Detail

The Legislature appropriates General Fund and Education Fund to pay general obligation debt service on buildings. The Legislature also appropriates Transportation Investment, Centennial Highway, Critical Highway Needs, and County of the First Class transportation restricted funds to pay general obligation debt service on highways.

Agencies occupying buildings constructed with lease revenue bonds make lease payments, recorded as dedicated credits, to the debt service line item. In FY 2008 the University of Utah and the State of Utah defeased over \$100 million of SBOA lease revenue bonds, which significantly increased the dedicated credits to this line item. Likewise, in FY 2011 the State refunded approximately \$210 million of principal (dedicated credits for G.O. bonds).

Table 1: Operating and Capital Budget Including Expendable Funds and Accounts

Sources of Finance	2013 Actual	2014 Approp	2014 Change	2014 Revised	2015 Change	2015 Approp
General Fund	\$54,599,700	\$54,599,700	\$0	\$54,599,700	(\$126,600)	\$54,473,100
General Fund, One-time	\$15,252,400	\$15,252,400	(\$1,140,800)	\$14,111,600	\$42,600	\$14,154,200
Education Fund	\$17,164,300	\$17,164,300	\$0	\$17,164,300	\$37,700	\$17,202,000
Education Fund, One-time	\$0	\$0	\$64,300	\$64,300	(\$64,300)	\$0
Transportation Investment Fund of 2005	\$332,808,600	\$333,204,000	\$10,452,600	\$343,656,600	(\$17,204,600)	\$326,452,000
Centennial Highway Fund	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$16,260,400	\$16,999,900	(\$2,448,000)	\$14,551,900	\$1,224,000	\$15,775,900
Dedicated Credits Revenue	\$22,231,500	\$22,955,000	\$22,600	\$22,977,600	\$2,111,500	\$25,089,100
Dedicated Credits - GO Bonds	\$0	\$0	\$0	\$0	\$0	\$0
County of First Class State Highway Fund	\$22,100,800	\$24,614,700	\$24,300	\$24,639,000	(\$8,140,400)	\$16,498,600
Critical Highway Needs Fund	\$0	\$0	\$0	\$0	\$0	\$0
Transfers	(\$15,252,400)	\$0	(\$14,154,200)	(\$14,154,200)	\$14,154,200	\$0
Transfers - Other Funds	\$0	\$0	(\$1,051,400)	(\$1,051,400)	\$1,051,400	\$0
Beginning Nonlapsing	\$6,149,000	\$2,679,200	\$11,500,200	\$14,179,400	(\$6,823,100)	\$7,356,300
Closing Nonlapsing	(\$8,429,300)	(\$755,500)	(\$8,524,500)	(\$9,280,000)	\$1,834,900	(\$7,445,100)
Total	\$462,885,000	\$486,713,700	(\$5,254,900)	\$481,458,800	(\$11,902,700)	\$469,556,100

Line Items	2013 Actual	2014 Approp	2014 Change	2014 Revised	2015 Change	2015 Approp
Debt Service	\$462,885,000	\$486,713,700	(\$5,254,900)	\$481,458,800	(\$11,902,700)	\$469,556,100
Total	\$462,885,000	\$486,713,700	(\$5,254,900)	\$481,458,800	(\$11,902,700)	\$469,556,100

Categories of Expenditure	2013 Actual	2014 Approp	2014 Change	2014 Revised	2015 Change	2015 Approp
Current Expense	\$462,885,000	\$486,713,700	(\$5,254,900)	\$481,458,800	(\$11,902,700)	\$469,556,100
Total	\$462,885,000	\$486,713,700	(\$5,254,900)	\$481,458,800	(\$11,902,700)	\$469,556,100

COBI contains unaudited data as presented to the Legislature by state agencies at the time of publication. For audited financial data see the State of Utah's Comprehensive Annual Financial Reports.