



# TRANSPORTATION BONDING

INFRASTRUCTURE AND GENERAL GOVERNMENT APPROPRIATIONS COMMITTEE  
STAFF: RICHARD AMON

ISSUE BRIEF

**SUMMARY**

The Department of Transportation (UDOT) proposes transferring more than \$200 million from the Critical Highway Needs Fund (CHNF) to the Transportation Investment Fund (TIF) in FY 2011. UDOT created the capacity to transfer funds through issuing bonds from the Legislative authorization for the CHNF. While UDOT has the ability to transfer money between funds, this transaction would require large transfers from the TIF to the CHNF for the next several years and increases the debt service beyond current revenues in the CHNF.

**BACKGROUND**

The Legislature, by statute, created two independent funds with specific statutory requirements on collections and on the use of funds to construct highways:

1. The Transportation Investment Fund of 2005 (TIF), and
2. The Critical Highway Needs Fund (CHNF).

The statutory independence of the TIF and CHNF precluded transfers between the funds; however, during the 2010 General Session the Legislature enacted statutory language (72-1-201(a)) that allows UDOT to move money between transportation funds in order to facilitate the construction of highway projects.

In conjunction with the two fund listed above, the Legislature authorized two major bonds for highways.

Utah Code	Bill	Session	Authorized Amount	Fund paying debt service	Authorized Projects
63B-16-101	S.B. 283	2008 G.S.	\$1,200,000,000	CHNF	Critical Highway Needs projects
63B-18-401	S.B. 239	2009 G.S.	\$2,207,000,000	TIF	I-15 Utah County, Mountain View Corridor, and highways prioritized by the Transport. Commission

**Table 1**

Legislative bond authorizations allow borrowing to construct specific projects as defined in statute. The TIF and CHNF funds pay the debt service on those authorized bonds.

**ISSUE**

For FY 2011 UDOT projects needing an additional \$235 million for TIF project construction beyond current revenues. UDOT could have bonded for an additional \$235 million, but instead proposes transferring \$235 million from the CHNF. The CHNF has a beginning FY 2011 balance of \$303 million, but debt service requirements and construction projects for the CHNF amount to about \$580 million. The CHNF had to issue \$410 million of bonds in September, 2010 to have the capacity to transfer \$235 million to the TIF.

UDOT proposes transferring funds from the CHNF instead of issuing more TIF bonds because current projections show that TIF bonding may exceed the \$2.2 billion Legislative authorization in FY 2013 or 2014. Instead of asking the Legislature to increase the TIF bond authorization from \$2.2 billion to \$2.44 billion (and to reduce the CHNF bond authorization), UDOT bonded for additional funds using the \$1.2 billion CHNF authorization to have capacity to transfer funds to the TIF.

While a transfer of funds between the TIF and the CHNF is authorized by the new statute and technically UDOT would transfer available balances rather than bond proceeds, this transfer creates a scenario

requiring more bonding from the CHNF than necessary to finish CHNF construction projects. The transfer would also result in higher debt service obligations to the CHNF than current revenues can support.

Table 2 below shows the proposed cash flow over the next several years. UDOT proposes a \$235 million transfer to the TIF in FY 2011, a \$10 million transfer in FY 2012 and transfers back to the CHNF in FY 2013 through 2017. Note that without a transfer from the TIF, the CHNF cannot support debt service payments with the current revenue stream over the next seven years.

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Additional CHNF bonding transferred to TIF	\$ (235,800,000)	\$ (10,700,000)							
Transfers from TIF to CHNF			\$ 35,500,000		\$ 33,000,000	\$ 89,000,000	\$ 89,000,000		
Estimated CHNF debt service deficit w/o transfer from TIF			\$ (23,200,000)		\$ (5,700,000)	\$ (5,500,000)	\$ (13,700,000)	\$ (35,500,000)	\$ (18,700,000)

**Table 2**

**RECOMMENDATION**

UDOT still has more than \$1 billion of the \$2.2 billion Legislative authorization for TIF bonding. If UDOT needs more TIF bond authorization beyond the \$2.2 billion authorized by the Legislature, the Analyst recommends that UDOT come back next year and request additional authorization rather than transferring funds back and forth over the next six years.

While UDOT has already issued the \$410 million of CHNF bonds, which must now require debt service, the Analyst recommends that UDOT minimize the transfer of funds to the TIF and use the CHNF bond proceeds to complete CHNF projects rather than using additional CHNF bonding in FY 2012 or FY 2013.