



UNISSUED BOND AUTHORIZATIONS

INFRASTRUCTURE AND GENERAL GOVERNMENT APPROPRIATIONS COMMITTEE
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ISSUE BRIEF

SUMMARY

The state currently has two bond authorizations that could be removed from statute and one bond authorization that should be amended. The Analyst recommends the Legislature consider making these changes in the next bond bill.

BACKGROUND

The state uses two primary types of long-term debt to finance large capital expenditures for building and highway projects. The first, general obligation (GO) bonds, are backed by the full faith and credit of the state and rely on appropriations to service debt. The second, State Building Ownership Authority (SBOA) lease revenue bonds, use annual lease payments to service debt and cross-collateralize building assets to further secure the bonds.

The Legislature authorizes the use of bonding for specific capital projects through legislation, which become part of Utah Code Title 63B. Once authorized, the State Bonding Commission issues the bonds. No bonds may be issued for purposes other than those authorized by the legislation or for a greater amount than specified. Authorizations remain valid indefinitely unless a future legislature removes the authorization through legislation.

DISCUSSION

As of January 2011, there are six legislative bond authorizations that either have not been issued or have a portion of the authorization remaining (Table 1 below).

Unissued Bond Authorizations (January 2011)					
Type	Utah Code	Bill (Session)	Description	Amount	
<i>Partially-used authorizations that will be issued in the near future</i>					
1 GO Bldg	63B-18-102 (1)	SB 201 (2009)	Univ. of Utah business school	\$ 5,758,000	
2 GO Hwy	63B-16-101 (1)(a)	HB 314 (2007)	Critical Highway Needs construction	\$ 128,349,000	
3 GO Hwy	63B-18-401 (1)(a)	SB 239 (2009)	Transportation Investment construction	\$ 1,012,644,000	
<i>Authorization that may be used in the future</i>					
4 SBOA	63B-9-102 (1)	SB 235 (2000)	State Fair Park multipurpose building	\$ 10,500,000	
<i>Authorizations unlikely to be used in the future and recommended for removal</i>					
5 SBOA	63B-8-501 (1)(a)	SB 2 (1999)	Human Services Brigham City office	\$ 2,510,000	
6 GO Other	63B-17-102 (1)	SB 298 (2008)	Economic Develop. (St. George airport)	\$ 42,500,000	

Table 1

The first three bonds listed in Table 1 will be issued by the state in the next three years. The University of Utah business building is taking more time to construct than the other buildings authorized by SB 201 (2009 G.S.) therefore, \$5.8 million of bond authorization remains; which will likely be used next year. The state has issued most of the \$1,200 million authorization for Critical Highway Needs projects over the last three years and has \$128.3 million left; which will likely be issued next year. Finally, the state has issued about half of the \$2,207 million authorization for I-15 in Utah County, Mountain View Corridor and other

Transportation Investment Fund projects; the remaining half is scheduled to be issued over the next three years.

Unused Bond Authorizations

The Legislature periodically reviews bonding statutes and removes unused bond authorizations. The last two bonds listed in Table 1 could be removed from the Utah Code because they will not likely be used in the future.

The 1999 SBOA revenue bond authorization allows the Department of Human Services to use lease budgets to pay debt service on revenue bonds issued to acquire an office in Brigham City. Negotiations on the sale of the property in Brigham City fell through ten years ago and the department currently leases space in the building. The Department has no current plans to use this authorization.

The 2008 general obligation bond authorized by SB 298 allows the Governor’s Office of Economic Development to facilitate the purchase of land for interstate travel. This authorization was originally designed to facilitate the sale of the land from the old St. George airport while the new St. George airport was being built. The city was able to construct the airport without the need to utilize this bonding authority and the airport recently opened for travel in January 2011.

Bond Statute Clean-up

During the 2005 General Session the Legislature passed SB 86 which removed the \$4.8 million Oxbow prison purchase from the list of capital development projects for the 2004 general obligation bond authorization. While the legislation deleted the project and funding authorization, it did not readjust the totals for the 2004 bond. The total general obligation bond authorization should be adjusted to \$81,688,000 from \$86,488,000 and the amount that may not be exceeded in 63B-13-101 should be adjusted to \$82,500,000 from \$87,400,000.

<u>Project Description</u>	<u>Amt. Funded</u>	<u>w/o Oxbow</u>
State Capitol Remodel	\$50,000,000	\$50,000,000
WSU Swenson Bldg. Remodel	\$5,569,000	\$5,569,000
SLCC Health Science Bldg	\$21,000,000	\$21,000,000
UNG No. SL Readiness Center	\$2,719,000	\$2,719,000
CEU San Juan Library	\$2,400,000	\$2,400,000
Oxbow Prison Purchase	\$4,800,000	
	\$86,488,000	\$81,688,000
1% for Cost of Issuance	\$87,400,000	\$82,500,000

Table 2

RECOMMENDATION

The Analyst recommends the Legislature consider:

1. Removing the 1999 SBOA revenue bond authorization contained in 63B-8-501(1)(a)
2. Removing the 2008 GO bond authorization contained in 63B-17-102(1)
3. Adjusting the numbers of the 2004 GO bond authorization contained in 63B-13-101(1) and (2)(c) to reflect the changes made previously.

The 1999 SBOA bond can be removed in the annual *Revenue Bond and Capital Facilities Authorizations* bill and the 2008 and 2004 GO bond authorizations can be modified in the next general obligation bond authorization bill; or the Legislature could introduce an independent bond clean-up bill to make any or all of these changes.