



DEBT SERVICE ADJUSTMENT OPTIONS TO CONSIDER

INFRASTRUCTURE AND GENERAL GOVERNMENT APPROPRIATIONS SUBCOMMITTEE
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ISSUE BRIEF

This issue brief summarizes budget adjustment options to consider when reviewing the base budget for Debt Service in the 2017 General Session. Options include one-time (1x) adjustments for FY 2017 and ongoing (ong) adjustments for FY 2018.

Debt service is made up of interest and principal due on the state’s bonded indebtedness. The state uses bonds to finance large capital expenditures, including new facility construction, major remodeling, and highway projects. General obligation (G.O.) bonds are backed by the full faith and credit of the state. Lease revenue (L.R.) bonds are secured by dedicated revenue streams such as enterprise fund revenue or lease payments. The debt service line item in appropriations bills combines service for G.O. and revenue bonds.

Looking at the past ten years, G.O. bond debt peaked at \$3.7 billion in FY 2012 and L.R. bond debt peaked at \$337 million in FY 2010. Since that time, G.O. bond debt has declined steadily to \$2.5 billion in FY 2017 and L.R. bond debt in FY 2017 is \$316 million. The state paid \$456 million in debt service in FY 2016, and the 2016 Legislature appropriated \$445 million for debt service for FY 2017.

FY 2017 ADJUSTMENT OPTIONS

The adjustment options in Table 1 reflect the debt service needs for the current fiscal year, FY 2017.

Table 1: Debt Service Adjustments Options for FY 2017

Program	Funding Source	1x
General Obligation Bonds Debt Service	General Fund	209,000
	Education Fund	
	Transportation Investment Fund of 2005	12,500
	Federal Funds	(14,000)
	County of First Class Highway Projects Fund	500
	Transfers	14,000
	Beginning Nonlapsing Balances	188,800
	Closing Nonlapsing Balances	(79,100)
	<i>Total</i>	<i>331,700</i>
Revenue Bonds Debt Service	Federal Funds	82,100
	Dedicated Credits Revenue	2,268,200
	Beginning Nonlapsing Balances	10,266,800
	Closing Nonlapsing Balances	482,800
	<i>Total</i>	<i>13,099,900</i>
<i>Grand Total</i>		<i>13,431,600</i>

FY 2018 ADJUSTMENT OPTIONS

General Obligation Bonds Debt Service Program. This program includes appropriations to cover debt service for projects related to higher education, public education, transportation, and state government. It may be helpful to see the debt incurred in each of these categories and the ensuing principal and interest that are paid for each type of project. An option to consider when reviewing the base budget is to split the G.O. Bonds Debt Service program into four distinct programs to account for these categories beginning in FY 2018 (similar tracking occurs for capital budget appropriations). Under this option, adjustments in the “Current” column in Table 2 would eliminate appropriations that are included in [H.B. 6](#), 2017 General Session, Item 35. The appropriations contained in that item would be split to the four categories as shown. The “Total” column shows the cumulative effect of these adjustments.

Table 2: G.O. Bonds Debt Service Program Adjustment Options for FY 2018

Funding Source	G.O. Bonds Debt Service					Total
	Current, 1x	Higher Ed., ong	Public Ed., ong	Trans., ong	State Gvt., ong	
General Fund	(54,312,800)	23,586,800			18,242,500	(12,483,500)
General Fund, One-time	(14,200,000)			14,200,000		0
Education Fund	(17,221,800)	13,279,700				(3,942,100)
Transportation Investment Fund of 2005	(348,420,200)			275,181,800		(73,238,400)
Federal Funds	(14,200,000)			14,200,000		0
County of First Class Highway Projects Fund	(6,383,600)			7,835,900		1,452,300
Transfers	14,200,000			(14,200,000)		0
Beginning Nonlapsing Balances	(7,618,400)			7,744,300		125,900
Closing Nonlapsing Balances	7,618,400			(7,744,300)		(125,900)
<i>Total</i>	<i>(440,538,400)</i>	<i>36,866,500</i>	<i>0</i>	<i>297,217,700</i>	<i>18,242,500</i>	<i>(88,211,700)</i>

Revenue Bonds Debt Service Program. The adjustment options in Table 3 reflect the debt service needs in this program for FY 2018.

Table 3: Revenue Bonds Debt Service Adjustments Options for FY 2018

Program	Funding Source	FY 2018, ong
Revenue Bonds Debt Service	Dedicated Credits Revenue	223,000
	Beginning Nonlapsing Balances	(815,800)
	Closing Nonlapsing Balances	815,800
	<i>Total</i>	<i>223,000</i>