



DEBT SERVICE OVERVIEW

EXECUTIVE APPROPRIATIONS COMMITTEE
STAFF: BRIAN WIKLE

ISSUE BRIEF

OVERVIEW

In July 2017, the State closed on General Obligation Bonds, Series 2017 that generated proceeds of \$120.0 million for the prison project and \$46.9 million for transportation projects. The State plans to issue additional bonds over the next three years that will generate proceeds of approximately \$450.0 million for the prison project, and over the next four years that will generate proceeds of approximately \$1.0 billion for transportation projects. With these issuances, debt is projected to peak at about \$2.8 billion in FY 2020.

Debt service, the amount required to make principal and interest payments, fluctuated between about \$407 million and \$455 million from FY 2012 through FY 2017. The Legislature shifted about \$70 million from debt service to capital development for FY 2018 and FY 2019, and it directed that the funds revert to debt service beginning in FY 2020. Debt service from FY 2020 through FY 2025 is projected to range between \$405 million and \$450 million, and then to decline steadily as bonds are paid off.

GENERAL OBLIGATION (G.O.) AND LEASE REVENUE (L.R.) BONDS OUTSTANDING

Outstanding G.O. Bonds. The State’s G.O. bond indebtedness as of July 10, 2017 was \$2.13 billion (Official Statement for the State of Utah General Obligation Bonds, Series 2017 (2017 O.S.)). It did not include approximately \$1.52 billion in bonds authorized by the Legislature but not yet issued for the prison and transportation projects. Table 1 shows G.O. bond principal outstanding broken out by prison and highway projects and total unamortized bond premium (Zions Public Finance Inc, and Division of Finance).

Table 1: General Obligation Bonds Principal Outstanding

	Series	Original Principal Amount	Final Maturity Date July 1	Principal Outstanding as of July 10, 2017
Prison	2017	100,810,000	2027	100,810,000
Highway Projects	2009A	394,360,000	2018	25,265,000
	2009C**	363,630,000	2018	70,865,000
	2009D	491,760,000	2024	491,760,000
	2010B	621,980,000	2025	621,980,000
	2010C*	172,055,000	2019	114,910,000
	2011A**	563,060,000	2021	175,965,000
	2013	226,175,000	2028	180,725,000
	2015*	220,980,000	2026	220,980,000
	2017	41,260,000	2032	41,260,000
Total Unamortized Premium				86,403,000
Total				2,130,923,000

* refunding

** the series included funds for highways (shown in the table) and for buildings (paid off)

Outstanding L.R. Bonds. As shown in Table 2, the State Building Ownership Authority’s outstanding principal for L.R. bonds was \$292.6 million as of July 10, 2017 (2017 O.S.). Under the current schedule (assuming no additional bonds issued), the State will make a final L.R. bond debt payment on May 15, 2038.

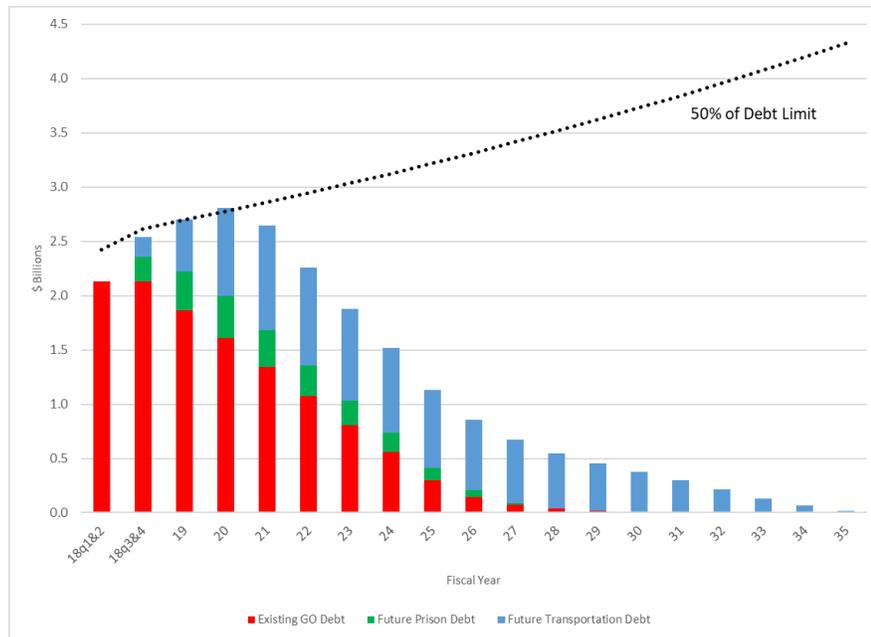
Table 2: Lease Revenue Bonds Principal Outstanding

Series	Original Amount	Final Maturity Date May 15	Principal Outstanding as of July 10, 2017
1998C	105,100,000	2019	10,405,000
2009A	25,505,000	2019	2,200,000
2009B	8,445,000	2019	2,425,000
2009C	16,715,000	2029	16,715,000
2009E	89,470,000	2030	89,470,000
2010	36,735,000	2024	22,405,000
2011	5,250,000	2031	3,175,000
2012A	15,610,000	2027	14,620,000
2012B	11,700,000	2022	4,175,000
2015	30,015,000	2030	28,860,000
2016	98,150,000	2038	98,150,000
Total			292,600,000

GENERAL OBLIGATION BONDS PAYOFF SCHEDULE

G.O. Debt Issuance and Payoff Schedule. Chart 1 depicts existing G.O. bond debt and models future issuance of authorized but not yet issued prison and transportation debt. Under this scenario, the State will make a final G.O. debt payment on July 1, 2035.

Chart 1: Existing and Future General Obligation Bond Debt



DEBT SERVICE BUDGET

Debt service constitutes payment of interest and principal on the state’s bonded indebtedness. General obligation 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 lease revenue bonds. The state paid \$466.4

million for debt service in FY 2016 and the Legislature appropriated \$458.9 million in FY 2017 and \$381.1 million in FY 2018 for debt service. Table 3 shows uses of funds for debt service for FY 2016 actual, FY 2017 revised appropriated, and FY 2018 appropriated (<https://le.utah.gov/lfa/cobi/currentCobi/cobi.html?cobiID=637&tab=financialsTab>).

Table 3: Debt Service Uses of Funds

<u>Use of Funds</u>	<u>FY 16 Actual*</u>	<u>FY 17 Rev. App.</u>	<u>FY 18 Appropriated</u>
G.O.	440,601,100	418,716,300	
G.O. – Higher Education			36,866,500
G.O. – Public Education			
G.O. – Transportation			297,217,700
G.O. – State Government			20,242,500
L.R.	25,827,600	40,189,400	26,809,400
<i>Total</i>	<i>466,428,700</i>	<i>458,905,700</i>	<i>381,136,100</i>

* FY 2016 actuals are rounded to the nearest hundred.