



# SB 115 Bonding Amendments

## Amendments to §63J-1-205.1

1. The proposed technical amendment strengthens the priority of debt payments by adjusting the language to clarify that appropriations are sufficient to pay the principal, premium, and interest due on the State's outstanding general obligations bonds before making any other appropriations in the fiscal year.

## Amendments to §11-14-310

1. In 2018, SB 144 allowed property taxes levied by school districts for the payment of general obligation bonds to also be used to pay for "school district technology programs and projects."
2. The 2018 legislation creates the possibility that property taxes that have been pledged to repay bondholders may not be available to do so. Such a potential is a concern to:
  - The State, since almost all general obligation bonds issued by school districts in Utah are backed by the State School Bond Guaranty program;
  - Rating Agencies, since such a possibility can affect the ability of a district to repay its bonds; and
  - Bondholders, since money they have assumed is being collected exclusively for repayment of bonds they own is now available for other uses.
3. Proposed amendments establish the following priorities of use of property taxes imposed by school districts under authority of a voter-approved general obligation bond election:
  - Those taxes shall first be used for the repayment of the current year's debt service payments on bonds;
  - Anything left in the debt service fund after the annual payment of principal and interest on general obligation bonds may then be used for "school district technology programs and projects."
4. Proposed amendments would create a first lien on the property taxes imposed under this section of the Code for the benefit of bondholders, but once annual debt service payments are made, the lien no longer attaches to any school district technology programs and projects paid for from these revenues. This is simply a technical change to the existing Code.

## Amendments to §11-14-501

1. Proposed amendments provide clarity to holders of general obligation bonds of Utah local governments in the event any should declare bankruptcy. This makes no change other than to more clearly communicate the intentions of the parties to bond transactions and Utah law to a potential bankruptcy judge.
2. Rating agencies have begun asking questions about this, following the Detroit bankruptcy. These amendments will enable Utah issuers to answer these queries in a positive way, thus helping to preserve rating status on their bonds.
3. Providing this now will help avert adverse disclosures should the legislature ever authorize a municipal bankruptcy in the future.

## Bonding Authorization

The approximately \$90 million bonding authorization replaces a prior authorization utilized in the retirement of prior debt for debt service savings.