

**GENERAL OBLIGATION BOND
AUTHORIZATION FOR HIGHWAYS**

2006 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: James A. Ferrin

Senate Sponsor: _____

LONG TITLE

General Description:

This bill authorizes the issuance of general obligation bonds for ~~H→~~ state highway construction or ←H reconstruction H→ projects [of ~~Highway 6~~ ←H] and exempts those bonds from the statutory debt limit.

Highlighted Provisions:

This bill:

- modifies the Bonding Code by authorizing the issuance and sale of \$1.3 billion in general obligation bonds by the State Bonding Commission for ~~H→~~ state highway construction or ←H reconstruction H→ projects [of ~~U.S. Highway 6~~ ←H] ;

- specifies the use of the general obligation bond proceeds and the manner of issuance; and

- exempts bonds issued from the statutory debt limit.

Monies Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

63-38c-402, as last amended by Chapters 308 and 318, Laws of Utah 2004

ENACTS:



63B-15-103, Utah Code Annotated 1953

Be it enacted by the Legislature of the state of Utah:

Section 1. Section ~~63-38c-402~~ is amended to read:

63-38c-402. Debt limitation -- Vote requirement needed to exceed limitation --

Exceptions.

(1) (a) Except as provided in Subsection (1)(b), the outstanding general obligation debt of the state may not exceed 45% of the maximum allowable appropriations limit unless approved by more than a two-thirds vote of both houses of the Legislature.

(b) Notwithstanding the limitation contained in Subsection (1)(a), debt issued under the authority of the following parts or sections is not subject to the debt limitation established by this section:

(i) Title 63B, Chapter 6, Part 2, 1997 Highway General Obligation Bond Authorization;

(ii) Title 63B, Chapter 6, Part 3, 1997 Highway Bond Anticipation Note Authorization;

(iii) Title 63B, Chapter 7, Part 2, 1998 Highway General Obligation Bond Authorization;

(iv) Title 63B, Chapter 7, Part 3, 1998 Highway Bond Anticipation Note Authorization;

(v) Title 63B, Chapter 8, Part 2, 1999 Highway General Obligation Bond Authorization;

(vi) Title 63B, Chapter 8, Part 3, 1999 Highway Bond Anticipation Note Authorization;

(vii) Title 63B, Chapter 9, Part 2, 2000 Highway General Obligation Bond;

(viii) Title 63B, Chapter 10, Part 1, 2001 Highway General Obligation [~~Bond~~] Bonds;

(ix) Title 63B, Chapter 10, Part 2, 2001 Highway General Obligation Bond Anticipation Notes;

(x) Title 63B, Chapter 11, Part 5, 2002 Highway General Obligation [~~Bond~~] Bonds for Salt Lake County;

(xi) Title 63B, Chapter 11, Part 6, 2002 Highway General Obligation Bond Anticipation Notes for Salt Lake County [~~Authorization~~]; [~~and~~]

(xii) Section 63B-13-102[-]; and

(xiii) Section 63B-15-103.

(2) This section does not apply if contractual rights will be impaired.

Section 2. Section **63B-15-103** is enacted to read:

63B-15-103. Highway bonds -- Maximum amount -- Projects authorized.

(1) The total amount of bonds issued under this part may not exceed \$1,300,000,000.

(2) (a) ~~H~~→ [Proceeds] Because the legislature believes that the cost of state highway construction and reconstruction will be growing at a faster rate than the rate of inflation, proceeds ~~←H~~ from the issuance of bonds shall be provided to the Department of Transportation to provide funds to pay all or part of the costs of state highway construction or reconstruction projects ~~H~~→ [on U.S. Highway 6 from Interstate 15 to Interstate 70] as prioritized by the Transportation Commission ~~←H~~ .

(b) These costs may include the cost of acquiring land, interests in land, easements and rights-of-way, improving sites, and making all improvements necessary, incidental, or convenient to the facilities, interest estimated to accrue on these bonds during the period to be covered by construction of the projects plus a period of six months after the end of the construction period, interest estimated to accrue on any bond anticipation notes issued under the authority of this title, and all related engineering, architectural, and legal fees.

(3) The commission or the state treasurer may make any statement of intent relating to a reimbursement that is necessary or desirable to comply with federal tax law.

(4) The Department of Transportation may enter into agreements related to that project before the receipt of proceeds of bonds issued under this chapter.

Legislative Review Note

as of 1-24-06 3:36 PM

Based on a limited legal review, this legislation has not been determined to have a high probability of being held unconstitutional.

Office of Legislative Research and General Counsel

State Impact

A general obligation bond of \$1.3 billion will be issued for Highway 6 (plus issuance costs). Assuming a standard fifteen-year repayment period with flattened payments at today's interest rates, there will be fifteen annual payments of approximately \$114 million each. The actual debt service schedule will vary according to how the bond is structured. With the passage of this bill, the state will be in close proximity to the constitutional debt limit.

	<u>FY 2007</u> <u>Approp.</u>	<u>FY 2008</u> <u>Approp.</u>	<u>FY 2007</u> <u>Revenue</u>	<u>FY 2008</u> <u>Revenue</u>
Transportation Fund	\$24,018,600	\$114,000,000	\$0	\$0
Dedicated Credits	\$0	\$0	\$1,300,000,000	\$0
TOTAL	\$24,018,600	\$114,000,000	\$1,300,000,000	\$0

Individual and Business Impact

Provisions of this bill would benefit individuals and businesses that use Highway 6.
