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Joint Committee on Finance

Paper #164

Current Law GPR Debt Service Reestimate (Building Commission)

[LFB 2013-15 Budget Summary: Page 22, #10, Page 63, #10, Page 76, #1, Page 126, #5, Page 141, #3, Page 154, #3, Page 258, #7, Page 303, #4, Page 309, #6, Page 321, #10, Page 394, #12, Page 442, #5, Page 454, #11, Page 479, #4, and Page 499, #11]

CURRENT LAW

Debt service payments are made from sum sufficient appropriations established for principal and interest repayments on the \$8.0 billion in outstanding general obligation bonds as of December 1, 2012, and any additional bonds issued in the biennium. Of the outstanding debt, \$5.3 billion will be repaid with GPR.

GOVERNOR

Provide \$739,081,300 GPR in 2013-14 and \$729,172,700 GPR in 2014-15 to fund the annual debt service payments on GPR supported bonds issued to date and those amounts to be issued in the biennium.

MODIFICATION

Reestimate the net amount of GPR debt service in 2012-13 by \$10,824,600, which would increase the opening balance in the 2013-15 biennium by a corresponding amount. Reestimate GPR debt service in the 2013-15 biennium by -\$1,085,300 in 2013-14, and -\$20,166,700 in 2014-15. In addition, increase GPR revenues by \$7,250,000 GPR-Earned in 2013-14, associated with revenues held in reserve by Badger Tobacco Asset Securitization Corporation being deposited to the general fund. Net GPR debt service after these adjustments would total \$737,996,000 in 2013-14, and \$709,006,000 in 2014-15.

Explanation: Since the introduction of AB 40, DOA Capital Finance has provided updated information on the estimated debt service payments for 2012-13 and the amounts for each year of the 2013-15 biennium included in the bill. This office has reviewed that information and estimates that net GPR debt service payments could be reduced by approximately \$10.8 million in the current year, \$1.1 million in 2013-14, and \$7.8 million in 2014-15. These modifications are associated with the following: (a) decreases of \$625,000 GPR in 2013-14 and \$5,262,100 GPR in 2014-15 due to the misallocation of debt service under the bill between a general fund debt service appropriation and a segregated, transportation fund debt service appropriation; (b) actual GPR debt service payments being \$10,824,600 lower in 2012-13 than earlier estimates, which would increase the opening balance by \$10,824,600; and (c) debt service payments being lower by \$460,300 in 2013-14 and \$14,904,600 in 2014-15 due to changes to the interest rate assumptions on short-term commercial paper and long-term obligations in the biennium and changes to the issuance assumption on currently authorized bonds, which would increase GPR-Lapses correspondingly.

In addition, increase revenues by \$7,250,000 GPR-Earned in 2013-14 associated with ending the Badger Tobacco Asset Securitization Corporation (BTASC), which was established in 2002 and carried out the state's tobacco securitization transaction. These revenues were required to be held by the Corporation's trustee until the final arbitrage rebate form was filed and the Corporation's actions were completed. In a letter dated May 16, 2013, BTASC informed their trustee of these actions and requested that the trustee transfer \$7,250,000 in revenues held in the trust to the state's permanent endowment fund in July, 2013. Under current law, these funds would be transferred to the state's general fund.

The total effect of this reestimate would be to increase the state's general fund balance through the end of 2014-15, by \$39,326,600, as shown in the following table.

Factors that Improve General Fund Balance

<u>Item</u>	<u>Increase to GPR Balance</u>
Reductions in 2012-13 (change to opening balance)	\$10,824,600
Reduction in GPR debt service appropriations (2013-15)	5,887,100
Increase in debt service related GPR Lapses (2013-15)	15,364,900
Increase in GPR-Earned (BTASC reserves)	<u>7,250,000</u>
 Total Increase to GPR Balance	 \$39,326,600

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