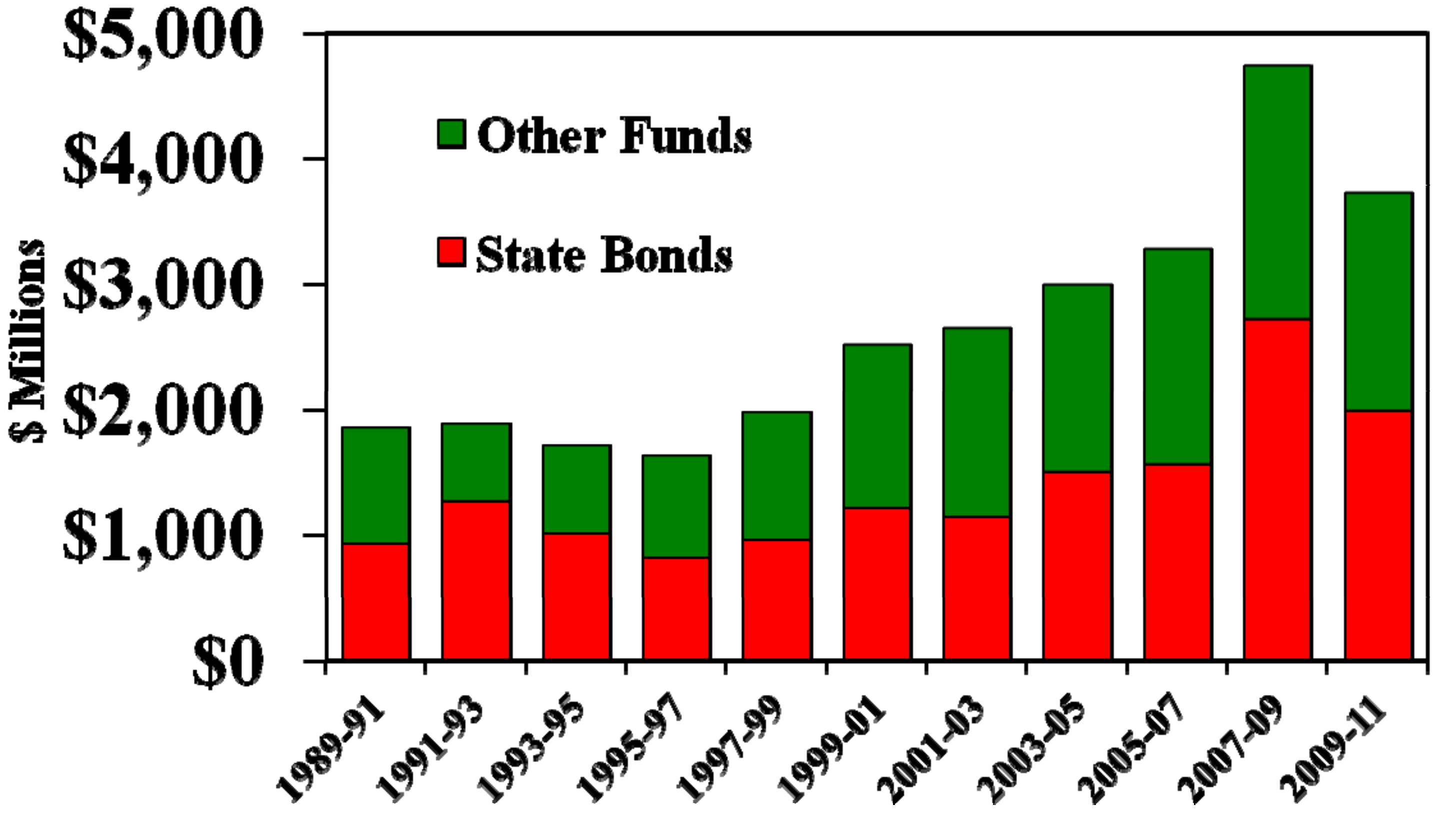
Capital Budget Outlook
2011 Session Preview

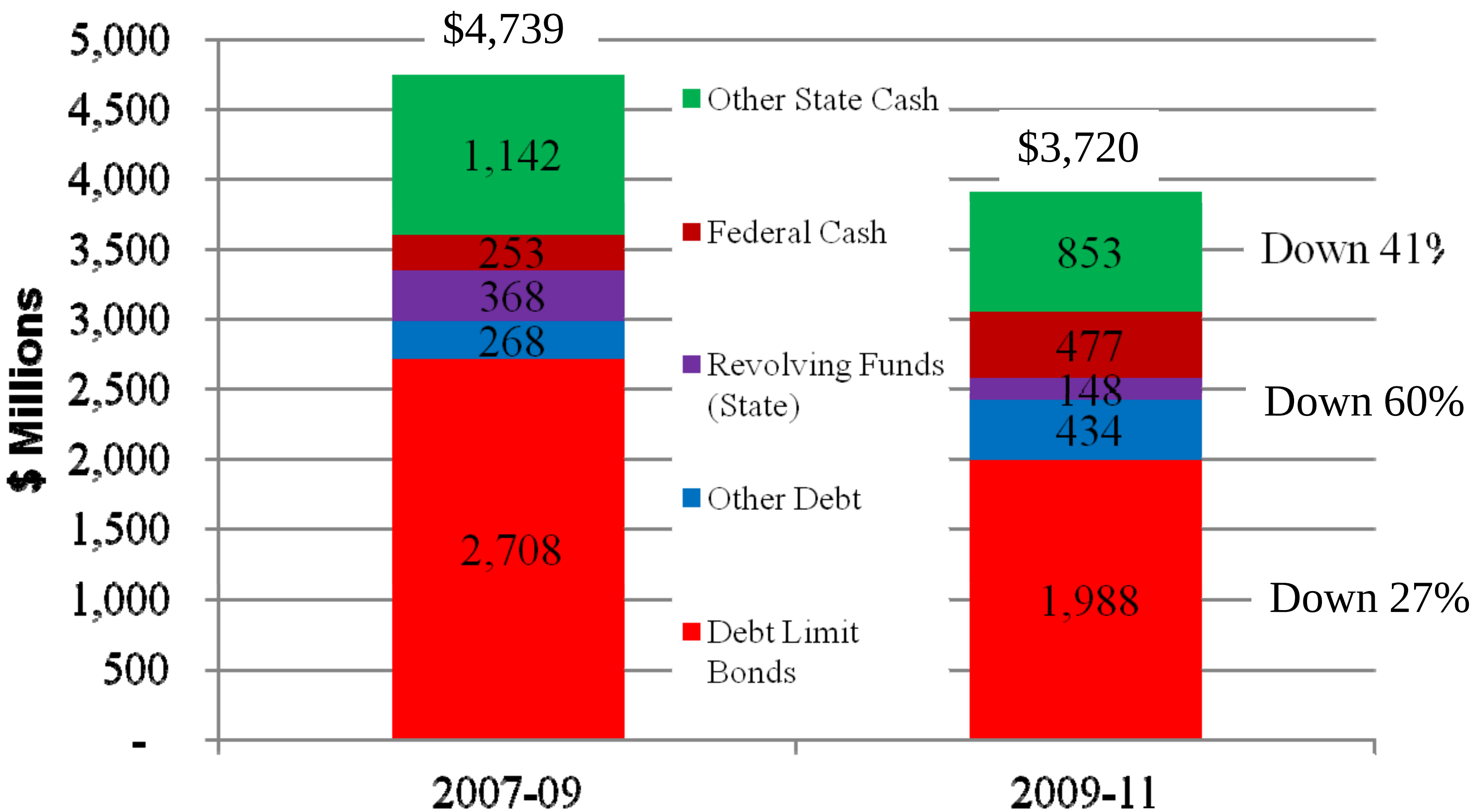
December 6, 2010

Prepared by Senate Ways and Means Staff

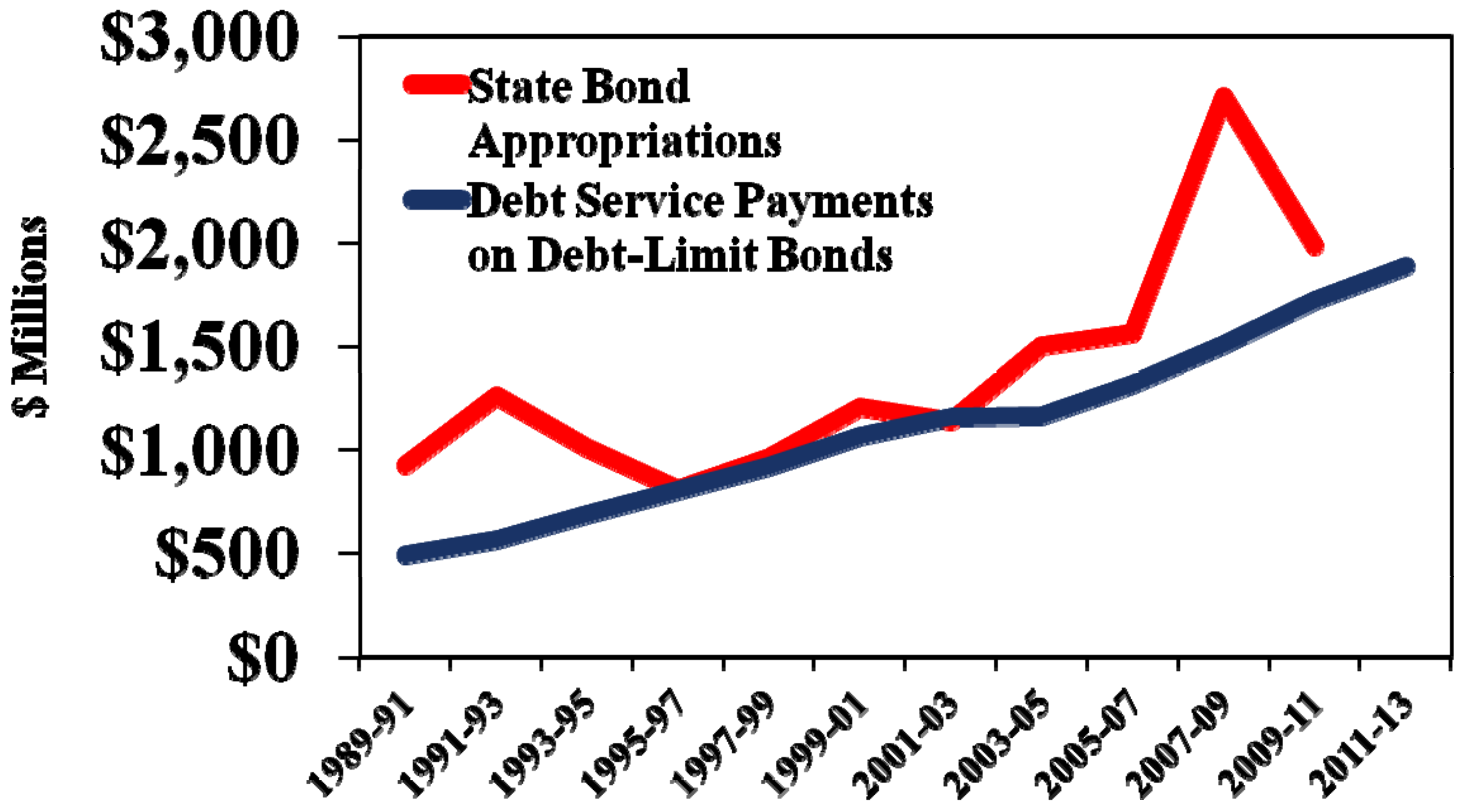
Capital Budget up 100% 20 years



2009-11 Capital Budget Down 22%



Even with $0 bond budget in 2011-13, Debt Service will rise



What is the state constitutional Debt Limit?

- The State Treasurer can not issue debt-limit bonds if the annual payment for principle and interest, along with such payments for existing debt-limit bonds, would exceed 9% of the average annual general revenue for the preceding three fiscal years.

What happens if bond appropriations exceed the debt limit?

- The State Treasurer would not issue bonds in violation of the debt limit.
- That may mean the balance in the state building construction account would drop.
- Projects authorized but not contracted may be put on hold.
- **It does not present a risk to bond holders.**

Capital budget writers estimate future debt capacity.

- The estimate considers:
  - Existing debt
  - Projection of general revenue
  - Projection of interest rates and cost of issuance
  - Estimates of future bond budgets.
- Then the bond appropriation is set below the 9% level. The difference between the 9% limit and the lower “working bond limit” is the capital budget’s equivalent of the operating budget’s Ending Fund Balance.

What's happened to the Variables Limiting Debt

	Change from 2009-11 Biennial Budget Assumption to the Present
General Revenue	For FY 2012 the average for the prior 3 years is down $700 million
Interest Rates	For FY 2012 down 1% but with increased volatility and uncertainty
Existing Debt	Going into FY 2012 existing debt service payments are down $34 million
Future Bond Budgets	2011-13 Biennium is constrained by 3 years on the bottom of the recession. 2013 and beyond will depend on the strength of the recovery.