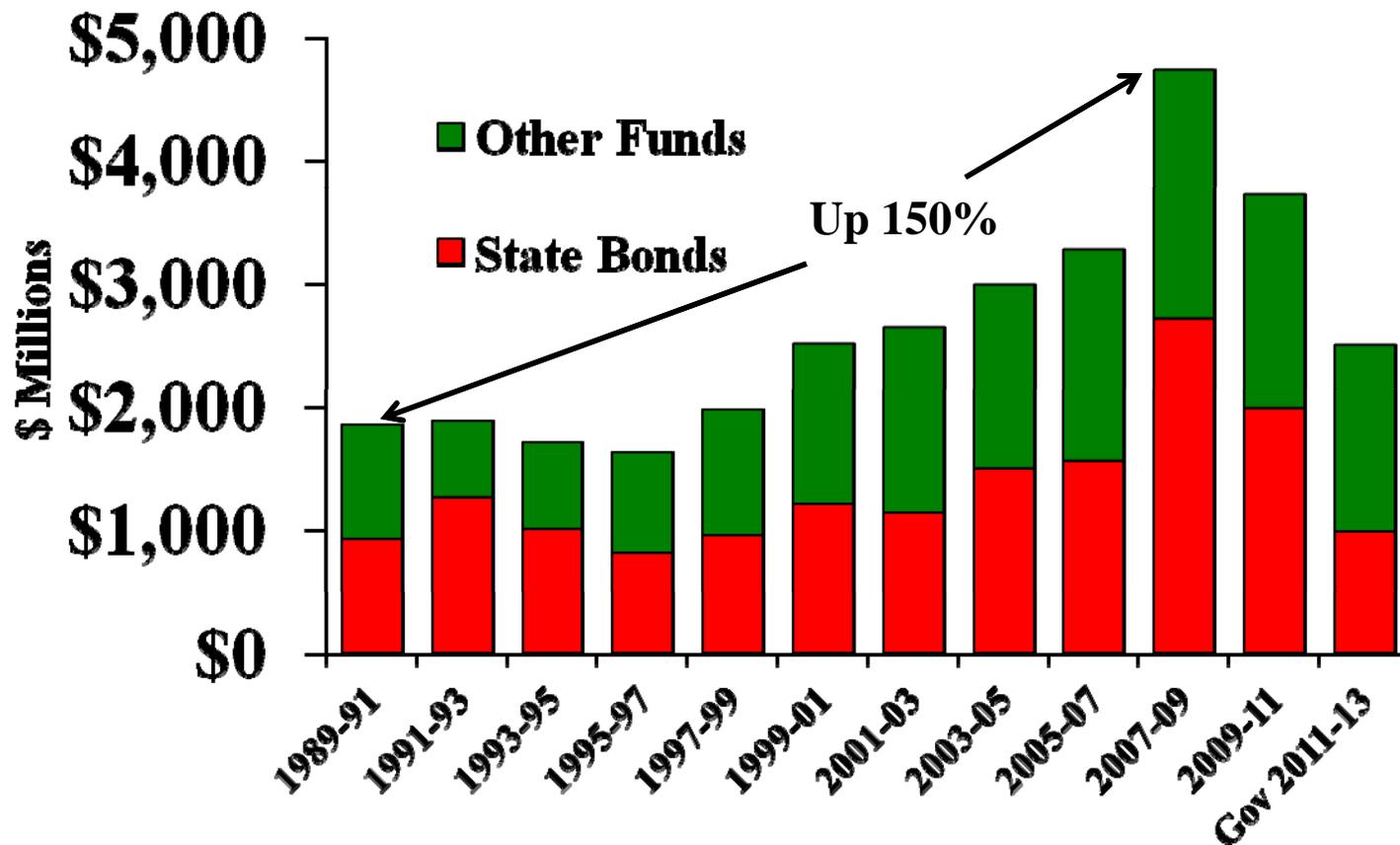


Governor's Capital Budget Overview

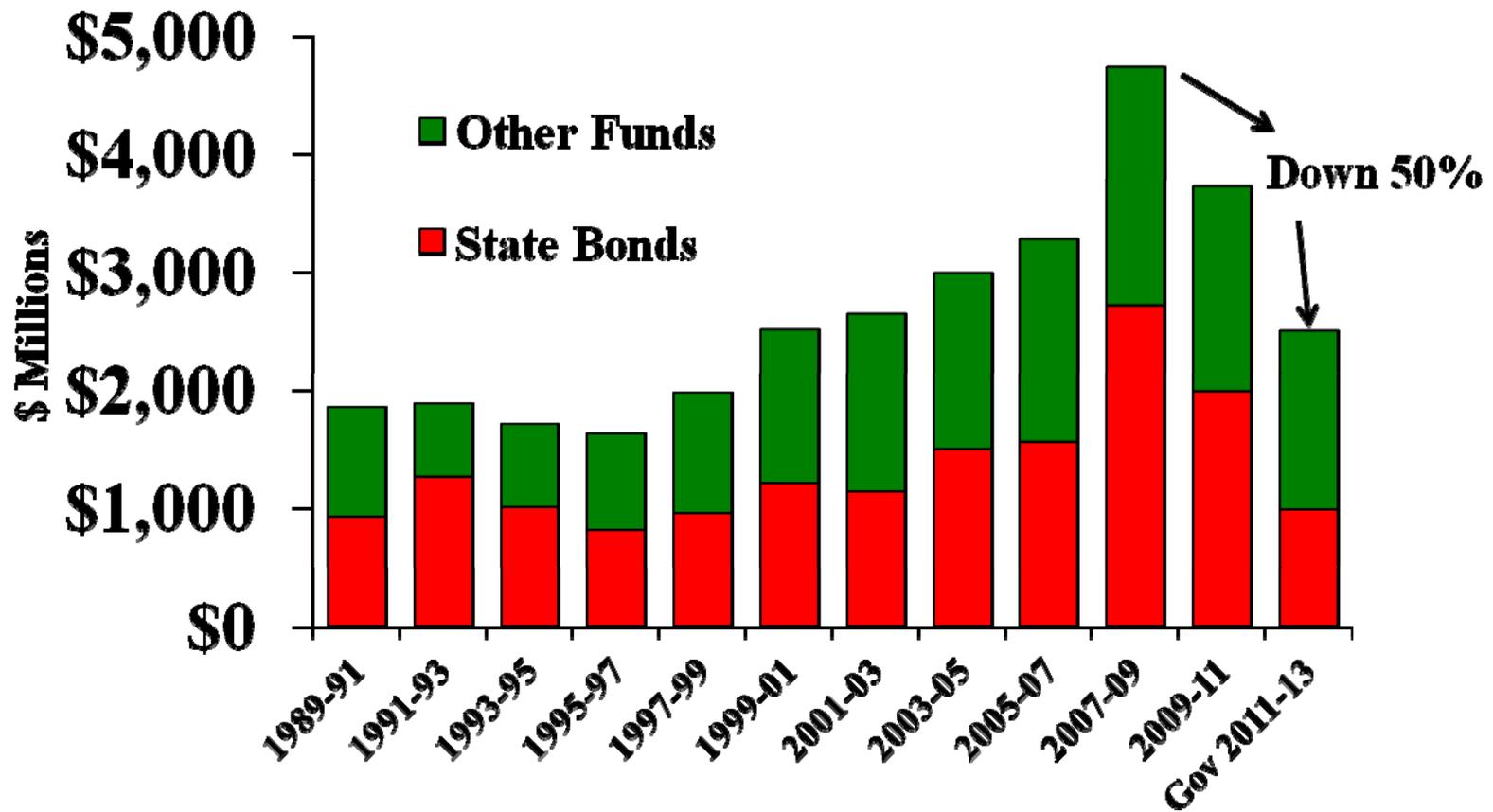
January 10, 2011

Prepared by Senate Ways and Means Staff

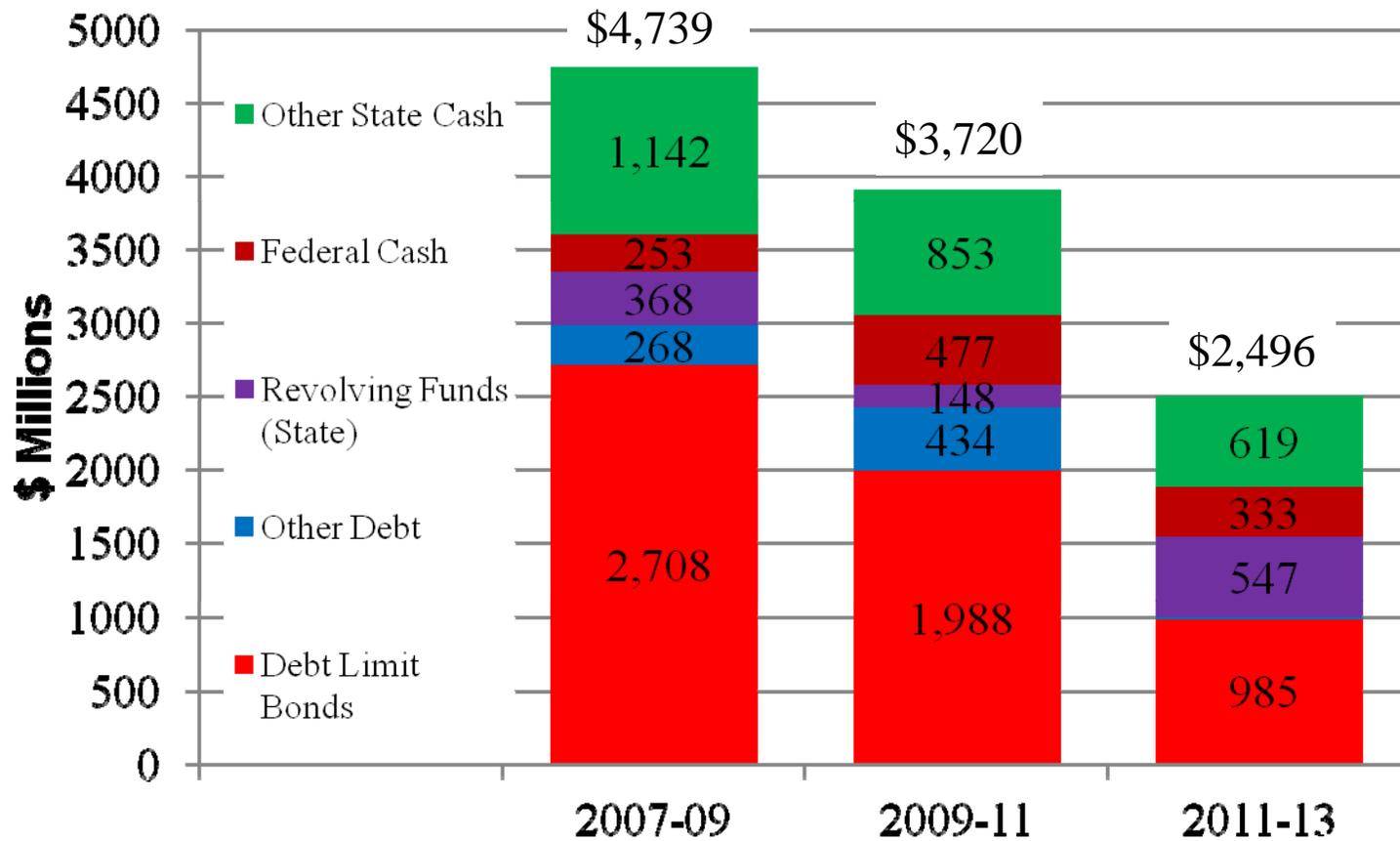
Capital Budget Peaked in 2007-09



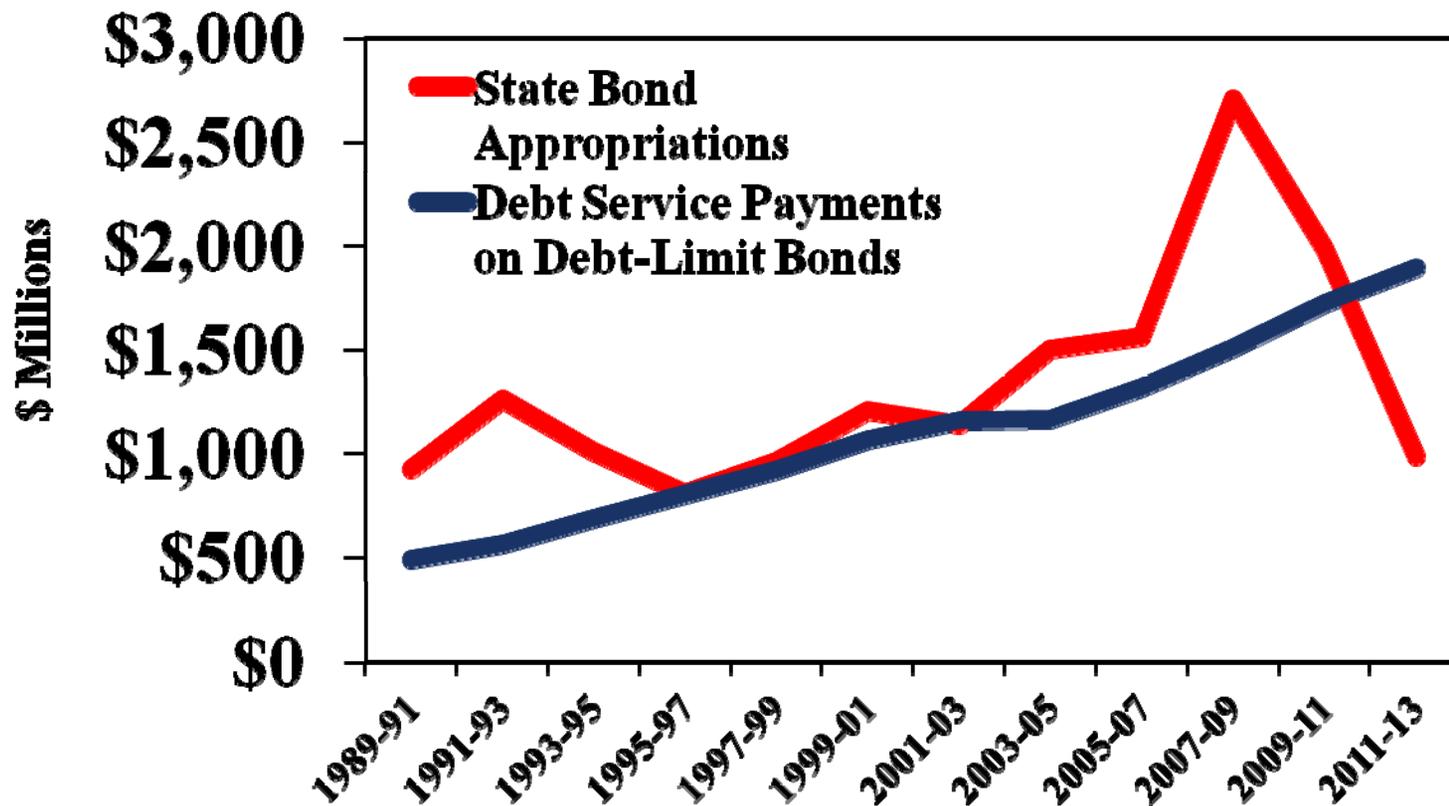
Governor's Capital Budget Down 50% from the Peak of 20011-13



Most of the Drop is Bond Capacity



Even with a smaller 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 due to refinancing higher interest rate bonds and defeasance of Convention Center bonds
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.

Governor's 2011-13 compared to Appropriation for 2009-11

	State Bonds				Total Funds			
	2009-11 Enacted	2011-13 Governor	Difference		2009-11 Enacted	2011-13 Governor	Difference	
Governmental Operations	486	93	(394)	-81%	710	571	(139)	-20%
Human Services	65	113	48	73%	194	163	(31)	-16%
Natural Resources	442	177	(265)	-60%	1,065	744	(320)	-30%
Higher Education	508	312	(197)	-39%	986	514	(472)	-48%
Other Education	485	291	(194)	-40%	776	508	(268)	-35%
Projects Total	1,987	985	(1,002)	-50%	3,731	2,500	(1,231)	-33%