



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: SB 80 SRS 02- 2111
Bill Text Version: ENGROSSED
Opp Chamb Action:
Sub Bill For:
Proposed Amd:

Date: May 29, 2002 8:22 AM
Author: HOLDEN
Dept/Agy: Treasury Bond Commission / DOTD
Subject: GARVEE Issuance
Analyst: Gordon Monk

BONDS EG SEE FISC NOTE GF EX See Note Page 1 of 1

Authorizes the issuance of debt financing instruments known as Grant Anticipation Revenue Vehicles (GARVEE) by the State Bond Commission. (gov sia)

The proposed legislation enacts the Grant Anticipation Revenue Vehicle Act of 2002 to allow the State Bond Commission to issue revenue bonds for the purpose of financing any qualified federal-aid transportation project or state transportation project. The bonds will be secured by a pledge of federal transportation funds, state matching funds and other revenues, including any monies from political subdivisions of the state. The bonds are declared to be revenue bonds unless the full faith and credit of the state or a political subdivision is pledged to the payment of such bonds. Limits annual installments of principal and interest on all bonds scheduled to be paid during any fiscal year to 10% of annual obligational authority to DOTD of federal transportation funds. Bonds are to be sold by the State Bond Commission and all fees, expenses, and costs, including sales commissions, underwriting liability fees, management fees, attorney fees, and all other general and legal costs of issuance associated with the bonds (to be paid from the proceeds of any bonds) are subject to prior review and written approval of the Attorney General and the State Bond Commission, before the issuance of the bonds, which requires approval of the JLCB.

Table with 7 columns: EXPENDITURES, 2002-03, 2003-04, 2004-05, 2005-06, 2006-07, 5 YEAR TOTAL. Rows include State General Fd., Agy. Self-Gen., Stat. Deds./Other, Federal Funds, Local Funds, and Annual Total.

Table with 7 columns: REVENUES, 2002-03, 2003-04, 2004-05, 2005-06, 2006-07, 5 YEAR TOTAL. Rows include State General Fd., Agy. Self-Gen., Stat. Deds./Other, Federal Funds, Local Funds, and Annual Total.

EXPENDITURE EXPLANATION:

There are attendant costs related to the issuance of bonds including bond attorneys, underwriters, underwriters' discount, rating experience, bond insurance, etc. The State Bond Commission has estimated bond issuance costs of between .5 to 1% of issue size. The legislation provides that the annual installment (or capacity) cannot exceed 10% of annual highway funds. If 5% capacity is used as an example, gross proceeds from the issuance of 15 year bonds would generate approximately \$210-\$220 million of gross proceeds, an annual debt service of between \$15 and \$25 million and issuance costs between \$1.1 million and \$2.1 million. Assuming 10% capacity is used, gross proceeds from the issuance of 15 year bonds would generate approximately \$425-\$435 million of gross proceeds, an annual debt service of between \$35 and \$45 million and issuance costs between \$2.1 million and \$4.2 million. In addition the legislation provides that if federal transportation funds are not sufficient to pay the federal share of principal, interest and costs when due, the state may temporarily pay the federal share with state matching funds that the state has appropriated for this purpose.

There is no way to estimate the amount of participation, if any, by state political subdivisions.

Eventual expenditure impacts can not be determined and will depend on actions taken by the State Bond Commission regarding the amount and timing of bond issuances and the market at the time of such issuances.

REVENUE EXPLANATION:

According to information provided by the State Bond Commission, gross proceeds from the issuance of these revenue bonds could generate proceeds as follows: 5% capacity - \$210-\$220 million and 10% capacity - \$425-\$435 million. Eventual revenue impacts can not be determined and will depend on actions taken by the State Bond Commission regarding the amount and timing of bond issuances and the market at the time of such issuances.

Dual Referral Rules

Senate

- 13.5.1 >= \$500,000 Annual Fiscal Cost
13.5.2 >= \$500,000 Annual Tax or Fee Change

House

- 6.8(F) >= \$500,000 Annual Fiscal Cost
6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease per year

Handwritten signature of Gregory V. Albrecht

Gregory V. Albrecht
CHIEF ECONOMIST