

Fiscal Note

BILL # SB 1091

TITLE: appropriation; debt; repayment; defeasance

SPONSOR: Livingston

STATUS: As Amended by Senate APPROP

PREPARED BY: Morgan Dorcheus

Description

The bill would make appropriations for the retirement or defeasance of 2 sets of state financing agreements: 1) ADOA Series 2015/Series 2017, which funded Arizona Department of Corrections (ADC) prison beds and water supply projects, and the Arizona State Hospital (ASH)'s Forensic Unit; and 2) University research infrastructure financing, which funded projects at all 3 state universities.

Estimated Impact

In total, the bill appropriates \$367.0 million from the General Fund in FY 2022 for the one-time cost of retiring state financing agreements. After accounting for the debt payoff appropriation of \$367.0 million (which includes transaction costs) and multi-year debt service savings of \$379.3 million from eliminating the remaining payments, the state would realize a cumulative net General Fund savings of \$12.3 million through FY 2031.

In terms of annual debt service payments, the FY 2023 Baseline includes \$52.0 million of General Fund spending for debt service payments on these issuances. Under SB 1091, the state's ongoing spending would be reduced by \$(52.0) million in FY 2023 as the bill would eliminate those General Fund payments.

Analysis

Laws 2007, Chapter 261 authorized a lease-purchase agreement for 4,000 new prison beds and Laws 2007, Chapter 257 authorized lease-purchases agreements for a new forensic unit at the Arizona State Hospital (ASH) and water supply projects at 4 state prison complexes. ADC and ASH pay debt service for the financing using General Fund monies that are appropriated as part of the agencies' operating budgets. The bill would appropriate \$93.5 million from the General Fund in FY 2022 for the retirement or defeasance of the agreements. After accounting for the debt payoff appropriation of \$93.5 million (which includes transaction costs) and multi-year debt service savings of \$94.8 million from eliminating the remaining payments, the state would realize a cumulative net General Fund savings of \$1.3 million through FY 2028.

A.R.S. § 15-1670 makes annual General Fund appropriations to the state university system through FY 2031 to finance lease-purchase agreements for research infrastructure projects. The bill would appropriate \$273.5 million from the General Fund in FY 2022 for the retirement or defeasance of the financing agreements. After accounting for the debt payoff appropriation of \$273.5 million (which includes transaction costs) and multi-year debt service savings of \$284.5 million from eliminating the remaining payments, the state would realize a cumulative net General Fund savings of \$11.0 million through FY 2031.

Local Government Impact

None

1/26/22

