

# **Severance Tax Bond & General Obligation Bond Capacity**

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*Presentation to the Legislative Finance Committee  
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**Overview of Core State Bonding Programs**

**Statewide Capital Funding  
(Dollars in Millions)**

	2005	2006	2007	2008	2009	TOTAL
<b>General Obligation Bonding</b>						
GO Bonds	- 122.1	-	143.3	-	224.4	489.8
<b>Subtotal</b>	<b>- \$122.1</b>	<b>-</b>	<b>\$143.3</b>	<b>-</b>	<b>\$224.4</b>	<b>\$489.8</b>
<b>Severance Tax Bonding</b>						
Severance Tax Bonds	87.6	136.1	136.4	153.2	0.0 <sup>1</sup>	\$513.3
Severance Tax Notes	87.8	102.1	193.3	150.9	188.7	\$722.8
Supplemental Severance Tax Bonds	10.0	-	-	-		\$10.0
Supplemental Severance Tax Notes	213.3	193.6	210.8	222.8	240.8	\$1,081.3
<b>Subtotal</b>	<b>\$398.7</b>	<b>\$431.8</b>	<b>\$540.5</b>	<b>\$526.9</b>	<b>\$429.5</b>	<b>\$2,327.4</b>
<b>Other Sources</b>						
General Fund	238.6	454.6	548.4	123.0	(148.6)	\$1,364.6
Transportation Bonds	-	-	459.4	-	200.0	\$659.4
<b>Subtotal</b>	<b>\$238.6</b>	<b>\$454.6</b>	<b>\$1,007.8</b>	<b>\$123.0</b>	<b>\$51.40</b>	<b>\$1,875.40</b>
<b>Total</b>	<b>\$759.4</b>	<b>\$886.4</b>	<b>\$1,691.6</b>	<b>\$649.9</b>	<b>\$705.30</b>	<b>\$4,692.60</b>

<sup>1</sup>The long-term Senior Severance Tax Bonds that would have normally been issued in FY09 were issued in July of 2010 (in FY10) due to the lack of an emergency clause in the 2009 capital bill authorizing the projects to be funded with the 2009A bond. Due to the delayed effective date of this bill and the required 30-day period that needs to run on any public sale after the Board adopts its bond sale resolution required the Board of Finance to set the closing until July of 2010.

**General Obligation Bonding Program**

- **Debt Outstanding**

- \$453.7 million as of December 1, 2009

- **Definition of General Obligation Bondholder Security**

- The State pledges its full faith and credit and taxing power to repay the bonds. Typically governments secure bonds with their ability to levy unlimited ad valorem property taxes to support the debt.

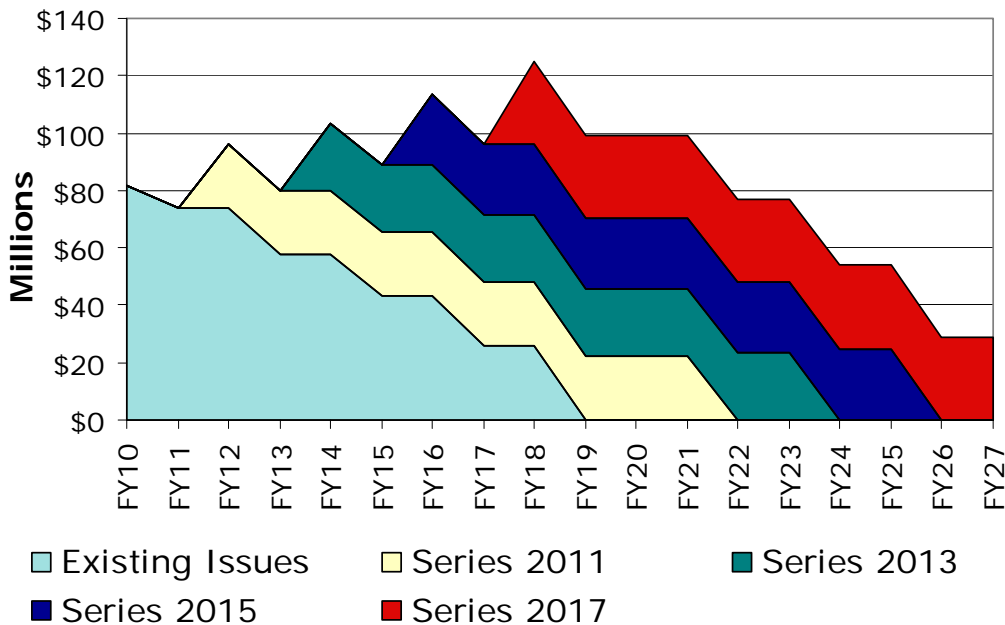
- **Key Policies Affecting Issuance and Capacity**

A list of projects potentially to be funded with GO bond proceeds is generated during the legislative session. The biennial issuance of these bonds is then subject to voter approval. If approved, the state property tax mill levy is adjusted to cover new and existing GO bond debt service.

- State general obligation bonding capacity is limited to 1% of statewide net taxable property value.
- General obligation bonding capacity is typically used for higher education, libraries and senior projects.

New Money GOB Issued (in millions)	
1985	\$ 64.0
1987	\$ 35.0
1989	\$ 47.1
1991	\$ -
1993	\$ 80.5
1995	\$ 66.3
1997	\$ 64.8
1999	\$ 80.9
2001	\$ 62.6
2003	\$ 130.9
2005	\$ 111.9
2007	\$ 134.9
2009	\$ 196.3
2011 est	\$ 175.3
2013 est	\$ 183.7
2015 est	\$ 196.8
2017 est	\$ 230.0

**GOB Debt Service with Estimated New Issues**



## **Severance Tax Bonding Program - Senior**

- **Debt Outstanding**
  - \$648.4 million as of December 1, 2009
  
- **Definition of Severance Tax Bondholder Security**
  - The bonds are a special obligation of the State payable solely from deposits to and revenues from the Severance Tax Bonding Funds, consisting primarily of receipts from certain taxes levied on natural resource products severed and saved from the soil of the State.
  
  - The state Board of Finance is prohibited from issuing severance tax bonds unless the aggregate amount of bonds and notes can be serviced with not more than 50% of the previous year fiscal year's revenue amount in the Bonding Fund.
  
- **Key Policies Affecting Issuance and Capacity**
  - The Board of Finance determines STB issuance capacity based upon outstanding debt service and Severance Tax Bond Fund revenues.
  
  - Proceeds are used for statewide capital projects authorized by the Legislature, such as transportation projects and Water Trust Board Projects.
  
  - Additional annual capacity is provided through "sponge bond" issuance. Sponge bonds are short-term bonds issued to maximize the amount of funding available for capital purposes by intercepting surplus Severance Tax Bonding Fund revenues before they are transferred to the Permanent Fund. These notes are issued on a taxable, overnight basis and have less restrictions than long-term tax-exempt bonds.

## **Severance Tax Bonding Program - Supplemental**

- **Debt Outstanding**
  - \$40.1 million as of December 1, 2009
  - The reliance on short-term notes rather than long-term Supplemental Severance Tax Bonds has greatly reduced the amount of debt outstanding and debt service requirements, leaving more funds available for projects.
  
- **Definition of Severance Tax Bondholder Security**
  - The bonds are a special obligation of the State payable solely from deposits to and revenues from the Severance Tax Bonding Funds, consisting primarily of receipts from certain taxes levied on natural resource products severed and saved from the soil of the State.
  
  - The state Board of Finance is prohibited from issuing supplemental severance tax bonds unless the aggregate amount of bonds, including senior bonds and notes, can be serviced with not more than 62.5% of the previous year fiscal year's revenue amount in the Bonding Fund.
  
  - The state Board of Finance is prohibited from issuing supplemental severance tax notes unless the aggregate amount of bonds and notes, including senior bonds and notes, can be serviced with not more than 95% of the previous year fiscal year's revenue amount in the Bonding Fund.
  
- **Key Policies Affecting Issuance and Capacity**
  - Long-term bonds have not been issued for several years due to the amounts available through sponge notes. However, in Fiscal Year 2010, the state Board of Finance plans to issue a \$100 million long-term bond due to a significant reduction in short-term Supplemental STB note capacity.

**Bonding Capacity Available for Appropriation**

**Sources and Uses of Funds: Bonding Capacity Available for Authorization**

**December 2009 Estimate**

<b>Sources of Funds (millions)</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>Five-Year</b>
<b>General Obligation Bonds</b>	175.3		183.7		196.8	555.8
Severance Tax Bonds	149.5	149.5	149.5	149.5	149.5	747.5
Severance Tax Notes	143.4	56.7	65.5	52.9	46.2	364.8
<b>Subtotal Senior STBs*</b>	<b>292.9</b>	<b>206.2</b>	<b>215.0</b>	<b>202.4</b>	<b>195.7</b>	<b>1,112.3</b>
Supplemental Severance Tax Bonds	100.0	-	-	-	-	100.0
Supplemental Severance Tax Notes	56.1	126.7	146.3	159.3	168.4	656.8
<b>Subtotal Supplemental STBs</b>	<b>156.1</b>	<b>126.7</b>	<b>146.3</b>	<b>159.3</b>	<b>168.4</b>	<b>756.8</b>
<b>Total Sources of Funds</b>	<b>\$624.3</b>	<b>\$332.9</b>	<b>\$545.1</b>	<b>\$361.7</b>	<b>\$560.9</b>	<b>\$2,424.9</b>
<b>Uses of Funds (millions)</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>Five-Year</b>
<b>Projects approved by referendum</b>	175.3	-	183.7	-	196.8	555.8
<b>New Statewide Capital Projects</b>	30.8	185.5	193.5	182.2	176.2	756.7
Authorized but Unissued STB Projects	24.3		-	-	-	24.30
Water Projects	29.3	20.6	21.5	20.2	19.6	111.2
Spaceport	34.0					34.0
Transportation Projects	50.0		-	-	-	50.0
Education Capital	156.1	126.7	146.3	159.3	168.4	756.8
SB29 Projects	124.5	-				136.1
<b>Total Uses of Funds</b>	<b>\$624.3</b>	<b>\$332.9</b>	<b>\$545.1</b>	<b>\$361.7</b>	<b>\$560.9</b>	<b>\$2,424.9</b>

\*Based on current estimates, \$58.2 million is expected to be transferred to the Severance Tax Permanent Fund at the end of FY11 and could be appropriated for projects as a "sweep" in the 2011 session.

- An estimated total of \$175.3 million in General Obligation bond capacity is available for appropriation during the 2010 Legislative Session, though it is subject to voter approval.
- An estimated total of \$292.9 million in Senior STB capacity is available for FY10.
  - Of this amount \$124.5 million is expected to be used to replace General Funds that were appropriated for capital outlay projects as part of the 2009 Special Session's Senate Bill 29. Approximately \$137.6 million of this capacity is expected to be used for previously authorized projects, including statewide capital projects, water projects, the Spaceport, and transportation projects.
  - The remaining \$30.8 million is available for appropriation during the 2010 Regular Session.

*STB and GO Bond Capacity Update*  
*December 3, 2009*

- STB Comparison with October Estimate: Senior STB capacity decreased by about \$16.3 million due to decreases in long-term oil and gas price estimates. Supplemental STB capacity increased slightly in FY10 due to slightly higher revenue estimates for the current fiscal year.
- GOB Comparison with October Estimate: the December 2009 GOB capacity estimate of \$175.3 million is down from the \$225.6 million estimated in October 2009. The decrease is due significantly lower oil and gas valuations experienced year to date, as well as the anticipation that Bernalillo County's residential property tax base will be negatively affected by property tax lightning protests.