

Fiscal Note

BILL # HB 2725

TITLE: state debt payoff

SPONSOR: Cook

STATUS: As Amended by House APPROP

PREPARED BY: Jack Brown

Description

The bill would make appropriations for the retirement or defeasance of 2 sets of state financing agreements: 1) The state's portion of the Phoenix Convention Center financing; and 2) University research infrastructure financing, which funded projects at all 3 state universities.

Estimated Impact

In total, the bill appropriates \$605.5 million from the Budget Stabilization Fund in FY 2024 for the one-time cost of retiring the 2 state financing agreements. After accounting for the debt payoff appropriation of \$605.5 million (which includes transaction costs) and multi-year debt service savings of \$820.2 million from eliminating the remaining payments, the state would realize a cumulative net savings of \$214.7 million.

In terms of annual debt service payments, the FY 2025 Baseline includes \$58.6 million of General Fund spending for debt service payments on these issuances. Under HB 2725, the state's ongoing General Fund spending would be reduced by \$(58.6) million in FY 2025 as the bill would eliminate those General Fund payments.

<u>Issuance</u>	HB 2725 Fiscal Impact (\$ in Millions)				
	<u>Debt Payoff Funding Amount</u>	<u>Total Debt Service Eliminated</u>	<u>Total Net Savings</u>	<u>Length of Debt Term</u>	<u>FY 25 Payment Eliminated</u>
Phoenix Convention Center (State Portion)	411.0	599.6	188.6	FY 44	26.0
University Research Financing	194.5	220.6	26.1	FY 31	32.6
Total	\$605.5	\$820.2	\$214.7		\$58.6

Analysis

Laws 2003, Chapter 266 authorized the state to make distributions for the debt service related to financing certain convention center projects, provided that state funding would account for no more than 50% of the total project cost and would not exceed \$300 million. In 2005, the City of Phoenix issued \$600 million of bonds, 50% of which were to be paid from the state share of funding. The state distribution occurs according to a statutory schedule through FY 2044. The bill would appropriate \$411.0 million from the Budget Stabilization Fund in FY 2024 for the retirement or defeasance of the state portion of the Phoenix Convention Center financing. After accounting for the debt payoff appropriation of \$411.0 million (which includes transaction costs) and multi-year debt service savings of \$599.6 million from eliminating the remaining payments, the state would realize a cumulative net savings of \$188.6 million through FY 2044.

(Continued)



Originally enacted by Laws 2003, Chapter 267, 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 \$194.5 million from the Budget Stabilization Fund in FY 2024 for the retirement or defeasance of the financing agreements. After accounting for the debt payoff appropriation of \$194.5 million (which includes transaction costs) and multi-year debt service savings of \$220.6 million from eliminating the remaining payments, the state would realize a cumulative net savings of \$26.1 million through FY 2031.

Local Government Impact

None

2/15/24