134

FISCAL NOTE(Form 1)
(Office of Fiscal Analysis)
Analyst: J 4-13-92
kr
Version:

BILL NUMBER: HB 5718
FILE NUMBER:
AMENDMENTS:

TITLE: "AN ACT AMENDING THE CLEAN WATER FUND TO PROVIDE THAT CERTAIN BONDS IN THE FUND SHALL BEAR A TAXABLE INTEREST RATE"

FAVORABLY REPORTED BY Finance, Revenue and Bonding

EFFECTIVE DATE: 7/1/92

* * * * *

FISCAL IMPACT STATEMENT - BILL NUMBER HB 5718

STATE IMPACT	None, see explanation below
MUNICIPAL IMPACT	None
STATE AGENCY(S)	State Treasurer, Department of Environmental Protection

EXPLANATION OF ESTIMATES:

The bill allows the General Obligation bonds contributed to the Clean Water Fund to bear a taxable rate of interest.

Although the taxable rate will almost always be higher than the tax-exempt rate, there is no financial impact to the General Fund with this change. The total debt service paid by the State would be the same whether a taxable or a tax-exempt rate of interest were used. What changes is the ratio of principal paid to interest paid by the State in the Interest Subsidy Fund. If a bond is issued at a taxable rate of interest, less principal must be issued to achieve the same debt service as a bond paying a tax-exempt rate of interest.

The advantage to the State, however, is that to the extent a taxable rate is applied and less principal is issued, less bonds are outstanding, minimizing the impact on the debt limit.