# FLORIDA HOUSE OF REPRESENTATIVES
# FINAL BILL ANALYSIS

*This bill analysis was prepared by nonpartisan committee staff and does not constitute an official statement of legislative intent.*

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| **BILL #:** HB 5017<br>**TITLE:** Debt Reduction<br>**SPONSOR(S):** McClure | **COMPANION BILL:** SB 1906 (Brodeur)<br>**LINKED BILLS:** None<br>**RELATED BILLS:** SB 1906 (Brodeur) |

**FINAL HOUSE FLOOR ACTION:** 101 **Y's** 0 **N's** **GOVERNOR'S ACTION:** Pending


## SUMMARY

**Effect of the Bill:**

The bill creates a Debt Reduction Program within the State Board of Administration to reduce the state's tax-supported debt by accelerating the retirement of bonds prior to maturity. The bill authorizes the Division of Bond Finance to use funds provided for the program to extinguish outstanding state bonds, other than state bonds of the Department of Transportation or the Florida Turnpike Enterprise. The bill also requires the Division to include certain program-related information in its annual debt affordability report.

**Fiscal or Economic Impact:**

The bill will have an indeterminate fiscal impact on the state. While the bill provides a $250 million recurring transfer from the General Revenue Fund to the State Board of Administration to fund the Debt Reduction Program, the state may realize savings associated with reduced debt service payments and avoided interest costs. Any funds that remain unexpended will revert to the General Revenue Fund at the end of each fiscal year.



| JUMP TO | SUMMARY | ANALYSIS | RELEVANT INFORMATION |
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## ANALYSIS

### EFFECT OF THE BILL:

The bill creates a Debt Reduction Program within the State Board of Administration for the purpose of reducing the state's tax-supported debt by accelerating the retirement of bonds prior to maturity. The bill requires the Division of Bond Finance (Division) to use its best efforts to utilize any funds transferred to the program to redeem, defease, purchase, or otherwise extinguish outstanding state bonds, other than state bonds of the Department of Transportation or the Florida Turnpike Enterprise. The bill also authorizes the Division to use the funds to make any other payments necessary or incidental to the transactions for the purpose of realizing debt service savings and reducing the amount of state debt outstanding.

The bill provides a $250 million recurring transfer from the General Revenue Fund to the State Board of Administration for the Debt Reduction Program. Any unexpended funds will revert at the end of each fiscal year.

The bill also requires the Division to include the following in its annual debt affordability report:
- A description of the strategies employed to retire outstanding state debt and the amount of state debt retired.
- The amount of any necessary or incidental payments made in association with a transaction that realizes debt service savings or reduces the amount of state debt outstanding.
- The debt service savings generated.
- A recommendation as to whether it is in the best interest of the state for the Legislature to continue the Debt Reduction Program.

**FISCAL OR ECONOMIC IMPACT:**

STATE GOVERNMENT:

The bill requires the Chief Financial Officer to transfer $250 million from the General Revenue Fund on July 1 each fiscal year, beginning in the 2025-2026 fiscal year, to the State Board of Administration for the Debt Reduction Program. Any unexpended funds will revert on June 30 of each fiscal year to the General Revenue Fund.

To the extent that the early retirement of bonds results in a savings for the state, the bill may have a positive impact on state expenditures. However, if the savings realized by reduced debt service and future interest costs is less than the interest rate that would have otherwise been earned on the unallocated general revenue used to retire the bond, it is unclear whether the bill will have a net positive impact on state funds.

Subject to the Governor's veto powers, the effective date of this bill is July 1, 2025.

## RELEVANT INFORMATION

**SUBJECT OVERVIEW:**

Division of Bond Finance

The Division of Bond Finance (Division) was created to provide capital financing for state agencies and associated entities by issuing and administering a variety of bonds authorized by article VII, section 11 of the Florida Constitution for education, environmental, transportation, state facilities, and insurance programs.[1] The Division is administratively housed within the State Board of Administration, and is governed by the Governor, Attorney General and Chief Financial Officer.

State Debt

The State of Florida has both direct and indirect debt. Direct debt is categorized as either tax-supported debt or self-supporting debt. Tax-supported debt is debt supported by state tax revenues or tax-like revenues. Self-supporting debt is debt secured by revenues generated from operating bond-financed facilities. Indirect state debt is debt secured by revenues not appropriated by the state or debt not secured by state revenues.

The state had $15.4 billion in total direct debt outstanding as of June 30, 2024, a reduction of almost $1 billion from the previous fiscal year. Transportation debt is the largest portion of direct debt, accounting for $8.3 billion or 54.3 percent of debt outstanding. Educational facilities represent $5.5 billion or 35.9 percent of debt outstanding.[2] The state's direct debt outstanding has decreased by $10.4 billion (40.4 percent) over the last 10 years.[3]

The Legislature may not authorize the issuance of additional state tax-supported debt if such authorization would cause the designated benchmark debt ratio of debt service to revenues available to pay debt service to exceed 7 percent unless the Legislature determines that such additional debt is necessary to address a critical state emergency.[4] According the Division, the debt ratio in 2024 was at a record low of 2.62 percent[5] due to limited debt issuance and strong revenue growth. With significant debt capacity available to fund critical infrastructure needs, the State is well positioned financially. Economic strength, revenue growth, prudent financial management, and

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[1] The Division currently reports ratings for more than 30 different bonds. *See* State of Florida Division of Bond Finance, *Summary of Bond Program Ratings*, https://bondfinance.sbafla.com/Portals/0/Content/BondRatings/Ratings.pdf.

[2] Division of Bond Finance, *2024 State of Florida Debt Report*, (December 2024) at 6. https://bondfinance.sbafla.com/Portals/0/Content/DebtReport/DAR%202024%20Report%20FINAL.pdf?ver=2024-12-13-131930-317

[3] *Id* at 13.

[4] S. 215.98, F.S.

[5] Division of Bond Finance, *supra note 2*, at 25.

strong reserves are reflected in the State's AAA credit ratings and the state is well positioned to ensure stability through future economic cycles.[6]

Debt Affordability Report

The Division is required to provide an annual debt affordability analysis and report to the Governor and the Legislature. This information is used to inform policymakers as they evaluate and establish priorities among proposed capital projects requiring the issuance of additional state debt and related appropriations.[7] The report must include:

- A listing of state debt outstanding, other debt secured by state revenues, and other contingent debt.
- An estimate of revenues available for the next 10 fiscal years to pay debt service, including general revenues plus any revenues specifically pledged to pay debt service.
- An estimate of additional debt issuance for the next 10 fiscal years for the state's existing borrowing programs.
- A schedule of the annual debt service requirements, including principal and interest allocation, on the outstanding state debt and an estimate of the annual debt service requirements on specified debt for each of the next 10 fiscal years.
- An overview of the state's general obligation credit rating.
- Identification and calculation of pertinent debt ratios, including, but not limited to, debt service to revenues available to pay debt service, debt to personal income, and debt per capita for the state's net tax-supported debt.
- The estimated debt capacity available over the next 10 fiscal years without the benchmark debt ratio of debt service to revenue exceeding 6 percent.
- A comparison of debt ratios with the comparable debt ratios for the 10 most populous states.

[6] *Id* at 5.

[7] S. 215.98(2), F.S.