

**REVENUE:** No Revenue Impact

**FISCAL:** May Have Fiscal Impact; Statement not yet Issued

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**Action:** Do pass as amended, be printed engrossed, and be referred to Ways and Means by prior reference

**Vote:** 7-0-2

**Yeas:** Berger, Bruun, Gelser, Read, Rosenbaum, Witt, Barnhart

**Nays:**

**Exc.:** Butler, Olson

**Prepared By:** Mazen Malik, Economist

**Meeting Dates:** 2/7, 3/12

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**WHAT THE BILL DOES:** Allows State Board of Higher Education or State Treasurer to enter into financial agreements for bond issued under article XI-F(1) and pay amounts due under financial agreement from available funds authorized by Legislative Assembly. Establishes a sub fund in Higher Education sinking fund to use for payments.

**ISSUES DISCUSSED:**

- The bonding options X1-F Bonds for revenue streams of established function.
- Housing and other auxiliary enterprises.
- Interest rate swaps and using variable rates to lower borrowing coats.
- 10 thousand a year per 1 million in cost reduction. However, still callable of rates go up.
- Use it carefully on one by one basis.
- More short term buyers than long term.
- Remove the obligation of the state's credit and good faith.

**EFFECT OF COMMITTEE AMENDMENTS:** The '-1' amendment removes the obligation of the states taxing power and credit from being obligated.

**BACKGROUND:**

The funds of Universities such as tuition are kept in the General Fund. Interest of these funds also accrue and part of the general fund. This bill will expand authority to enter into debt and use debt instruments. Moreover, opens the ability to use interest rate swaps. This might reduce borrowing costs. It also allows for the use of variable rate debt instruments and the use of interest rate swaps (synthetic fixed rate debt) to lower fixed rate instruments.