

§ XXXX. CAPITAL EXPENDITURE CASH FUND; CREATION AND PURPOSE

(a) It is the purpose of this section to defray the costs of future capital expenditures by establishing a fund to pay for expenditures that would otherwise be paid for using the State's General Obligation bonding authority and debt service obligations. Expenditures authorized for use of this fund include:

(1) costs associated with a proposed capital project that occur prior to the construction phase of that project, including but not limited to feasibility, planning, design, engineering and architectural costs;

(2) projects with an anticipated lifespan less than 20 years; and

(3) other eligible capital projects or debt service expenditures as recommended by the Governor or appropriated to by the General Assembly.

(b) There is hereby created a capital projects fund to be known as the Capital Expenditure Cash Fund to be administered by the Commissioner of Finance and Management in consultation with the State Treasurer. The Fund may consist of:

(1) transfers from the General Fund pursuant to subsection (c) of this section;

(2) appropriations made by the General Assembly; and

(3) interest earned by the Fund.

(c) Beginning in fiscal year 2024, a transfer from the General Fund to the Capital Expenditure Cash Fund will be made equal to four percent of the appropriations from the General Fund for the prior fiscal year, less the General Obligation Debt Service need as determined by the State Treasurer.

(d) Beginning in fiscal year 2024 and annually thereafter, the status of the Capital Expenditure Cash Fund will be reassessed by the Office of the State Treasurer and the Department of Finance and Management to determine if the transfer rate established in subsection (c) of this section needs readjustment. If it is determined that an adjustment is needed, a recommendation shall be made to the Governor and the General Assembly.

(e) All balances in the Fund at the end of any fiscal year shall be carried forward and remain part of the Fund. Interest earned by the Fund shall be deposited in the Fund.

EXPLANATION: Subsection (a) provides the scope for a cash fund to pay for a subset of capital expenditures. Subsection (b) creates the fund and defines the source of funds. This fund is funded in fiscal year 2023 by a General Fund transfer of \$6,525,000 (comprised of \$6.2 million GF one-time funding and \$325,000 GF made available from a reduction in debt service resulting from calling \$20 million in G.O. bonds), and subsection (c) lays out a structure for funding in fiscal year 2024 and beyond using a calculation of 4% of prior year General Fund appropriations, less our debt service obligations. As debt service decreases it will increase funding available for paying capital expenditures on a cash basis. Subsection (d) is provided to build in a reassessment of the transfer rate established in subsection (c) recognizing that there will be a point where we

may need less funding than 4% of the prior year General Fund appropriation generates. Subsection (e) sets carryforward language for the fund and deposits interest earned by the Fund to the Fund.

Sec. E.107.2 32 V.S.A. § 1002 is added to read:

USE OF GENERAL OBLIGATION BONDING CAPACITY DUE TO BOND PREMIUMS

- (a) No more than 50% of the bonding capacity created from a bond premium generated during the issuance of general obligation bonds may be used for capital projects.

EXPLANATION: This section sets the intent to limit the use of bonding capacity freed up by the issuance of a bond premium. This will have the effect of further reducing our general obligation debt issued, which will further decrease future debt service payments and increase funding available for paying cash expenditures through the Capital Expenditures Cash Fund.