HOUSE FISCAL AGENCY

MEMORANDUM

DATE: January 22, 2013

TO: Interested Parties

FROM: William E. Hamilton

RE: State Transportation Borrowing and Debt Service

This memo updates previous memos on state transportation borrowing and debt service based on actual debt service expenditures and bonded debt balances through September 30, 2012.

Authority for Transportation Bond Program

Article IX, Section 9 of Michigan's 1963 Constitution mandates that revenue from specific taxes on motor fuels and vehicle registrations be used exclusively for transportation purposes. The section also states that, "*The legislature may authorize the incurrence of indebtedness and the issuance of obligations pledging the taxes allocated or authorized to be allocated under this section, which obligations shall not be construed to be evidence of state indebtedness under this constitution.*" This language gives constitutional authorization for debt secured by constitutionally-restricted transportation revenue, and indicates that transportation notes and bonds issued under the authority of the section are not general obligations of the state of Michigan.

This constitutional authority is put into effect in statute by 1951 PA 51 (Act 51) which authorizes the State Transportation Commission to issue notes or bonds by pledging as payment constitutionally-restricted transportation revenue. Act 51 also authorizes the State Transportation Commission to issue notes or bonds in anticipation of federal revenue, and authorizes the refunding of previously issued bonds.

Section 18b of Act 51 requires that the State Transportation Commission, prior to issuing notes or bonds, adopt a resolution providing a pledge of payment of the notes or bonds from constitutionally-restricted transportation revenue. Section 18b also requires that the resolution contain a brief statement describing the projects for which the notes or bonds are to be issued, including estimated cost of the projects, or a description of the notes or bonds to be paid or refunded from the proceeds.

Section 18k of Act 51 requires that the State Transportation Commission provide to the House and Senate Appropriations Committees the list of projects for which notes or bonds are to be issued at least 30 days before the notes or bonds are issued. If the State Transportation Commission determines that the projects for which bonds were issued should change, Section 18b(4) requires that the Commission adopt the change by resolution, and that notice of intention to adopt the resolution be given to the House and Senate Appropriations Committees. Although Act 51 includes these notification provisions, the act does not require legislative authorization for the State Transportation Commission to issue notes or bonds, and does not give the appropriations committees or legislature as a whole authority to approve or reject the proposed project list.

Proceeds from the sales of notes or bonds can be used only for projects included in the note or bond resolution project list. However, the proceeds are not earmarked for any particular project or projects on the list. Some of the projects on the list may be constructed using other state-restricted or federal-aid revenue sources; some may not be constructed at all. Projects on the bond project list simply represent the pool of projects for which the bond proceeds may be used.

State Transportation Commission authorization for note or bond sales is typically a two-step process. The Commission first authorizes the Michigan Department of Transportation to circulate a preliminary official note or bond statement, including the list of projects. In a subsequent resolution, after the 30-day notification period, the Commission will authorize the department to issue the notes or bonds up to the amount authorized in the resolution. The department will time the actual sale of the debt issue based on anticipated cash flow needs and on market conditions.

Debt Limits

Act 51 limits transportation-related debt service to 50% of the previous year's constitutionally-restricted transportation revenue. Or to state this another way, transportation revenue pledged to secure bonds or notes must be at least twice the amount of the related transportation debt service. Current debt service is below these statutory limits. For the fiscal year ending September 30, 2012, available State Trunkline Fund (STF) revenue was estimated to be 4.3 times the amount needed to cover STF debt service, and available Comprehensive Transportation Fund (CTF) revenue 10.3 times the amount needed to cover CTF debt service. Federal aid apportioned to Michigan in FY 2011-12 was expected to be 4.78 times the amount needed to cover federal grant anticipation bond debt service.[1]

State Transportation Commission policy is more restrictive than statute; it requires a 4-to-1 revenue to debt service coverage ratio.[2]

Summary of Recent Transportation Bonding History

Outstanding STF debt doubled between September 30, 2000 and September 30, 2001 – from $633.2 million to $1.328 billion. Of this increase, $308.2 million related to the sale in July 2001 of Build Michigan III bonds. At the same time, the department sold $400.0 million in short-term federal grant anticipation notes (GARVEEs).[3] Since 2001, the department has offered the following new STF bond and note issues – not including refunding bond issues:

- $200.0 million in GARVEE notes (September 2002)
- $185.7 million STF bonds (September 2004)
- $244.5 million in STF bonds (July 2006)
- $485.1 million *Jobs Today* GARVEE bonds (September 2007)
- $281.9 million *Jobs Today/Economic Stimulus* Build America Bonds (June 2009)
- $91.0 million STF Bonds (December 2011)
  - – $61.0 million for Blue Water Bridge projects,
  - – $40.0 Million STF to match federal aid [4]

---

[1] These STF and CTF debt service coverage ratios are estimates as shown in disclosure tables in 2012 and 2011 bond statements, respectively; federal debt service coverage is as shown in disclosure tables in 2009 bond statements. Actual debt service coverage for FY 2011-12 will not be known until year-end book closing is complete.

[2] In accordance with State Transportation Commission policy adopted August 26, 1999, the department adopted capital financing guidelines. Those guidelines require that restricted revenue must be at least four times annual debt service. The guidelines also require that bonding be used only for capital projects, infrastructure and equipment, and require the department to make every effort to ensure that the average life of bonds not exceed the average life of the capital financed projects.

[3] At the time the department issued the GARVEE notes, it anticipated that the state would receive additional federal aid through reauthorization of the federal aid program, the Transportation Equity Act for the 21st Century (TEA-21). Congress did not pass a long-term reauthorization until August 2005 – two years after the anticipated reauthorization. The reauthorized program was titled the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). In 2005, the department issued STF bonds to refinance $400.0 million in short-term GARVEE notes.

[4] The breakdown of the 2011 STF bond issue between Blue Water Bridge projects and STF programming total more than the face value of the bond issue. Because of issue premiums, actual bond proceeds totaled $101.6 million.

As of September 30, 2012, total outstanding STF debt was $2.046 billion, of which $741.5 million was related to federal grant anticipation bonds.

The department has indicated that there are several reasons for recent bonding programs. Bonding allows the department to advance projects which could be more costly to build in the future due to construction price inflation. By advancing projects, the economic benefits of improved transportation facilities are realized sooner. In addition, advancing projects serves as a stimulus to the state economy. The recent transportation bond program has taken advantage of historically low interest rates.

Although current debt service is well within statutory limits, there has been concern that future debt service obligations could affect the department's ability to sustain its road and bridge program. Bonding has helped the department "frontload" the road and bridge reconstruction program, and helped the department reach its pavement performance goal of 90% state trunkline pavement in "good" condition by 2007. However, the department has indicated that "existing investment level will not sustain that condition." Anticipated reductions in the state trunkline road and bridge reconstruction program are due, in part, to increased debt service claims on STF revenue, coupled with flat or falling transportation revenues.[5]

Current Debt Service and Interest Rates

As STF debt began to increase, debt service also increased – from $47.2 million in FY 2000-01 to $187.6 million in FY 2005-06. Over the last three fiscal years (FY 2009-10 through 2011-12) STF debt service averaged over $215 million. STF debt service will be approximately $215 million for FY 2012-13 and $219 million per year from 2014 through 2020.[6]

Excluding taxable Build America Bonds issued in 2009, the average interest rate on STF bonds ranges from 4.13% to 5.76%. Of the ten bond series issued by the department since 2000, all but one has an average interest rate of 5.00% or less.[7]

The department, in accordance with State Transportation Commission policy, looks to refund (i.e. refinance) debt when it can achieve a present value savings of 3% or more.

Transportation Debt and Debt Service History

The tables and charts on the following pages show the history of state transportation debt and debt service from FY 1994-95 through FY 2012-13. The outstanding note and bond amounts through FY 2011-12 are taken from the department's annual financial reports. The debt service amounts through FY 2011-12 are based on actual debt service payments as recorded in the state's accounting system. Debt service amounts for FY 2012-13 reflect budgeted amounts based on anticipated debt service schedules.

---

[5] Source: MDOT's five-year (2010-2014) transportation program.

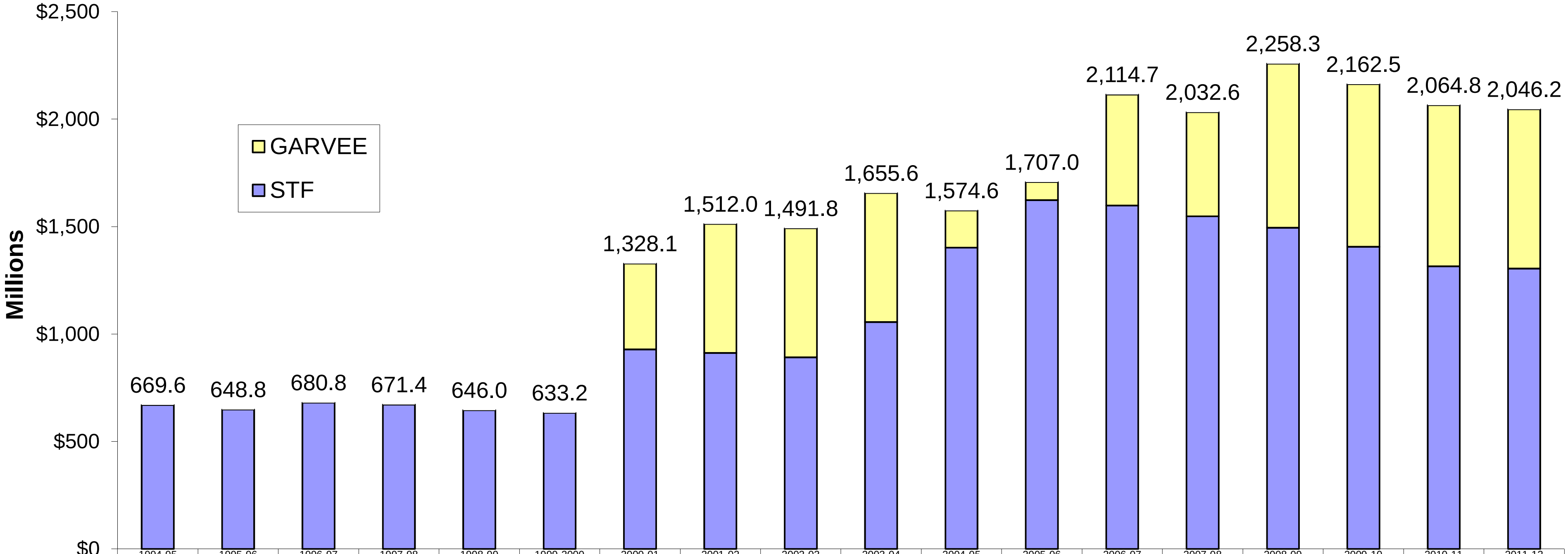
[6] This anticipated debt service is based on MDOT debt service schedules updated in 2012. Debt service includes debt service on federal grant anticipation bonds.

[7] As described more fully in the Summary of Recent Bond Issues on subsequent pages, in 2009 the department issued Build American Bonds. While the nominal interest rate on these taxable bonds, 7.63%, is higher than other STF bonds, the federal government reimburses the department 35% of the annual interest payment made to bondholders.

State Trunkline Fund – Figures 1 and 2

State Trunkline Fund bonds and notes are used to provide funds for state trunkline road and bridge construction or reconstruction projects. For purposes of the table and chart, STF bonds include bonds issued for Transportation Economic Development Fund (TEDF) projects, the Blue Water Bridge projects, and Critical Bridge Program projects – as well as state trunkline construction projects. The TEDF, Blue Water Bridge, and Critical Bridge Program bonds are considered "STF" because they are secured by STF revenue. The tables and charts also include debt secured by anticipated federal revenue, i.e. "GARVEE" notes and bonds.

Figure 1
State Trunkline Fund
Outstanding Debt

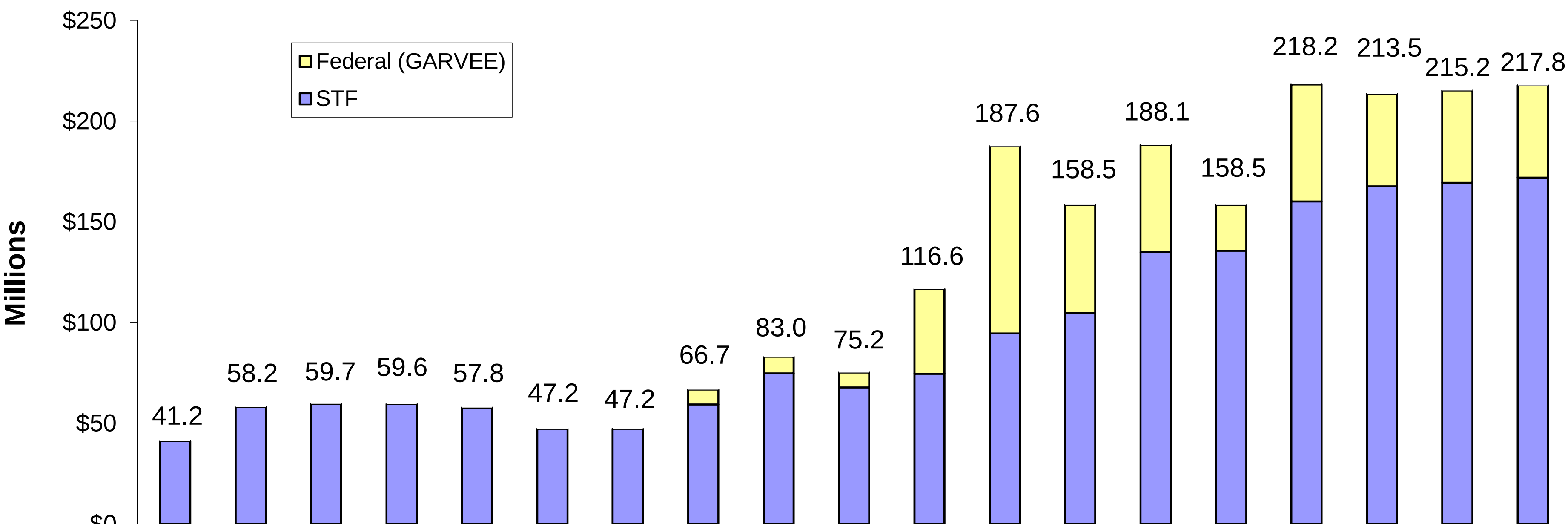


	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03
Total	669,583,000	648,798,000	680,778,000	671,432,000	645,990,000	633,219,000	1,328,052,000	1,511,967,000	1,491,770,000
GARVEE							400,000,000	600,000,000	600,000,000
STF	669,583,000	648,798,000	680,778,000	671,432,000	645,990,000	633,219,000	928,052,000	911,967,000	891,770,000

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Total	1,655,645,000	1,574,600,000	1,707,000,000	2,114,687,000	2,032,560,000	2,258,253,700	2,162,456,000	2,064,815,000	2,046,155,000
GARVEE	600,000,000	172,000,000	84,000,000	517,115,000	485,115,000	763,520,000	756,495,000	749,155,000	741,455,000
STF	1,055,645,000	1,402,600,000	1,623,000,000	1,597,572,000	1,547,445,000	1,494,733,700	1,405,961,000	1,315,660,000	1,304,700,000

Fiscal Year Closing Balance

Figure 2
State Trunkline Fund
Debt Service



	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Total	41,208,728	58,185,515	59,737,132	59,577,357	57,750,999	47,209,099	47,200,259	66,692,809	82,963,540	75,185,510	116,625,751	187,579,283	158,466,388	188,132,125	158,457,992	218,235,895	213,504,086	215,233,923	217,801,500
Federal (GARVEE)								7,331,174	8,188,877	7,373,848	42,101,793	92,970,510	53,666,746	53,109,380	22,783,230	58,122,345	45,832,006	45,842,620	45,866,700
STF	41,208,728	58,185,515	59,737,132	59,577,357	57,750,999	47,209,099	47,200,259	59,361,635	74,774,663	67,811,662	74,523,958	94,608,773	104,799,642	135,022,745	135,674,762	160,113,550	167,672,080	169,391,303	171,934,800

Fiscal Year

Comprehensive Transportation Fund – Figures 3 and 4

Comprehensive Transportation Fund bonds are used to fund public transportation capital projects, including the purchase of buses for transit agencies, construction of bus transit and intermodal terminals, and rail passenger and rail freight projects. CTF bond proceeds have also been used to support certain airport improvement projects.

Figure 3
Comprehensive Transportation Fund Outstanding Debt

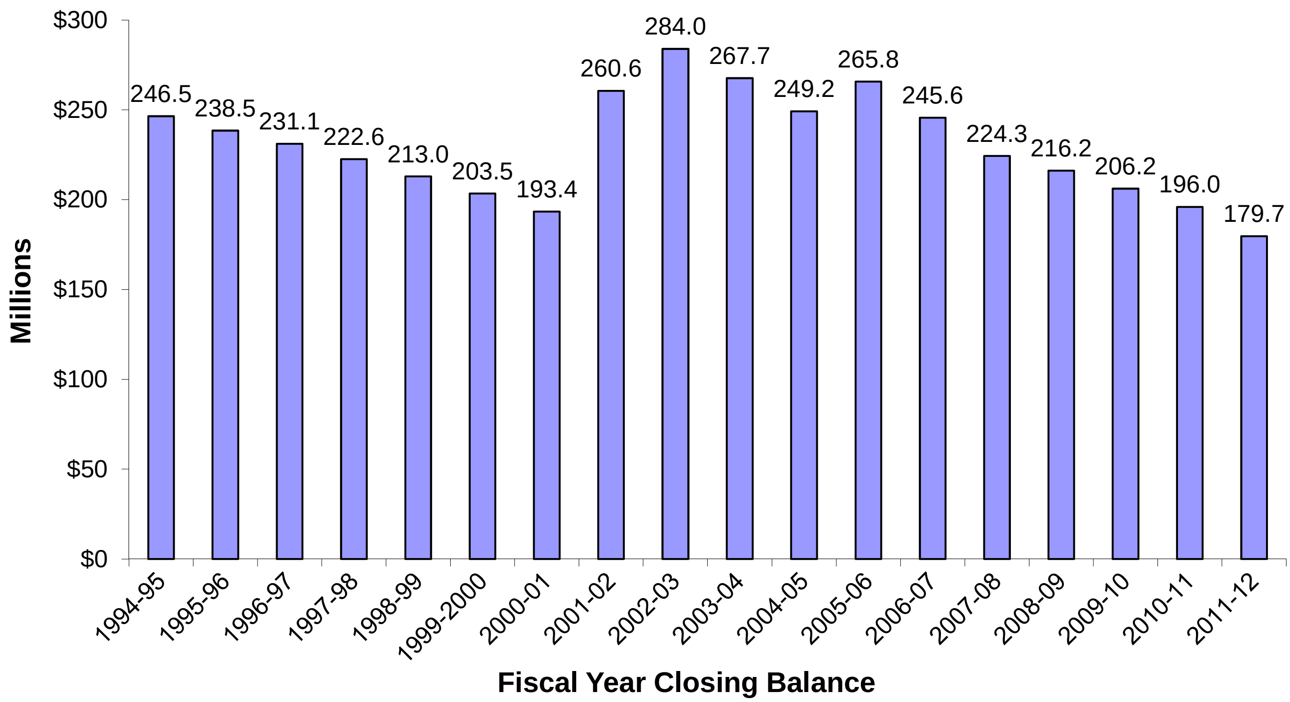
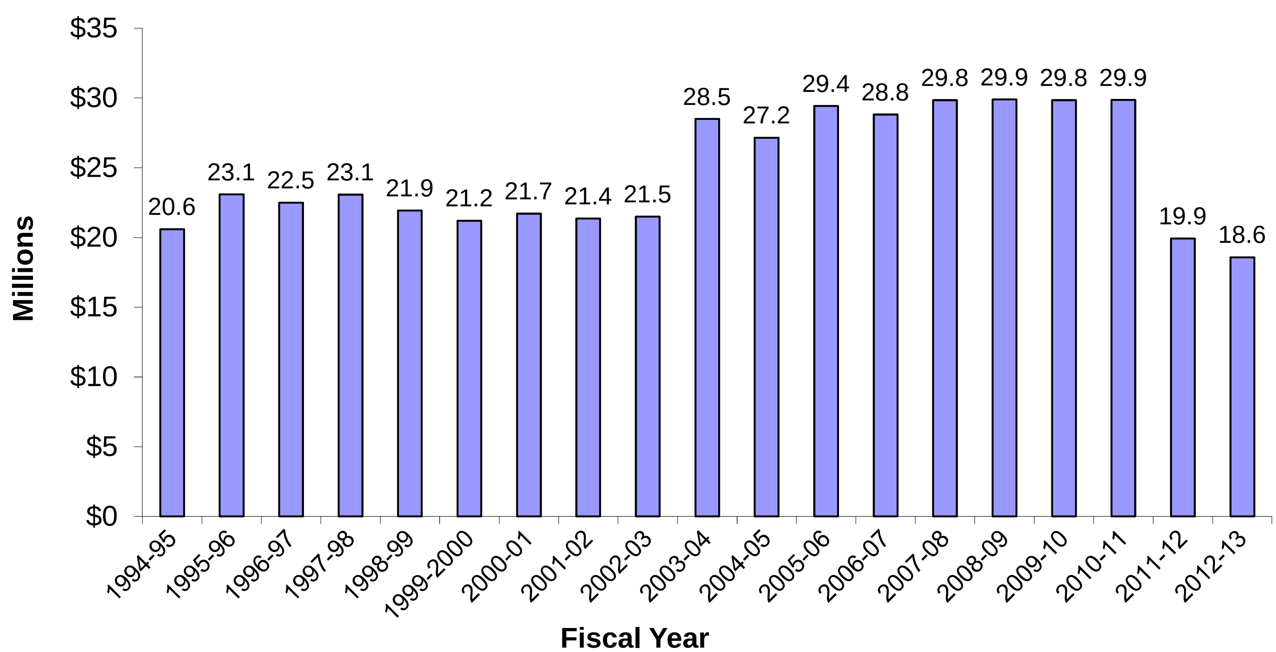


Figure 4
Comprehensive Transportation Fund
Debt Service



Transportation Bond Program
Summary of Recent Bond Issues

1989 – $135,779,506 STF Bonds
Used primarily to finance a number of state and local economic development (TEDF) projects. Approximately 38% of the funds were used for state trunkline projects – 59% if one includes projects which involved the upgrading of local roads and jurisdictional transfers to the state. Included among the listed projects were the Haggerty Road extension in Oakland County, Davison Freeway reconstruction in Detroit, and upgrading the Capital Loop in Lansing.

In addition to the funds used for TEDF projects, approximately $30 million from the original bond proceeds was used for state trunkline right-of-way projects.

1992 – $253,618,067 STF *Build Michigan* Bonds
Primarily used to match federal funds for state trunkline projects. In addition, approximately $30.0 million of the bond proceeds was used for local Critical Bridge projects. The total *Build Michigan* bond issue was $353.2 million, of which $253.6 million was "new money". The balance of the bond proceeds was used to refund existing debt. At the same time, the department issued $37.7 million in CTF obligation bonds.

1994 – $150,000,000 STF Bonds
Used entirely for state trunkline projects.

1996 – $55,000,000 STF Bonds
$35.0 million was used to finance, in part, Blue Water Bridge projects including construction of the second span and rehabilitation of the original span; $20.0 million was used to advance purchase of right of way.[8]

1998 – STF and CTF Refunding Bonds
$377.9 million STF and $38.6 million CTF to refinance previously issued bonds.

2001 – $308,200,000 STF *Build Michigan III* Bonds
These bonds, issued in July 2001, were intended to be the first phase of the Build Michigan III bond program, a program involving a number of state reconstruction and capacity improvement projects, as well as local economic development projects. The State Transportation Commission had authorized up to $900.0 million in borrowing under the Build Michigan III program. However, no additional bonds were issued under this program.[9]

2001 – $400,000,000 GARVEE Notes
These notes, issued in July 2001, were issued to accelerate previously programmed state trunkline projects (*Build Michigan II*). These were considered short term notes (less than 10 year maturity). The state pledged anticipated revenue from the federal aid highway program to secure repayment of these notes. Additional GARVEE notes were issued in 2002.

[8] Under this program, the department purchased right of way in advance of the completion of early preliminary engineering and environmental clearance. The department subsequently discontinued the use of the advance purchase of right of way account. Use of advance purchase of right of way makes the entire project ineligible for federal aid. Cost savings achieved in purchasing right of way prior to final highway alignment are offset by the loss of federal project participation.

[9] Debt service for the Build Michigan III bond program was to have come, in part, from an annual $35 million appropriation from the Budget Stabilization Fund (BSF) for a sixteen-year period beginning in FY 2000-01 and ending in FY 2015-16. The $35 million BSF transfer was made for the first two fiscal years, but was suspended in FY 2002-03 because of reduction in GF/GP revenue and the depletion of the BSF. In addition, $8.0 million per year was to have come from a proposed increase in the diesel motor fuel taxes. The proposed diesel tax increase was not enacted.

2001 – CTF Refunding Bonds
In July 2001, at the same time the department issued the *Build Michigan III* bonds and GARVEE notes, it refinanced $27.8 million in CTF bonds.

2002 – $82,310,000 CTF Bonds
On July 19, 2002, the State Transportation Commission authorized the sale of up to $160.0 million in CTF bonds. Bonds were issued in August 2002 for a number of public transit capital projects, including rail freight track rehabilitation projects, local public transportation bus and facility projects, intermodal terminal projects, and rail passenger projects. The State Transportation Commission-approved bond project list identified $88.5 million in various CTF projects, plus $60.0 million for various ASAP airport safety and security projects.[10] However, none of the proceeds were used for ASAP projects, and no additional CTF bonds were issued under this authorization. As described further below, the department issued bonds for the ASAP program in 2003 under a separate authorization from the State Transportation Commission. The approved project list was last revised by the State Transportation Commission at its July 29, 2010 meeting.

2002 – $200,000,000 GARVEE Notes
On September 19, 2002, the department issued an additional $200.0 million in short-term federal-aid grant anticipation notes intended to accelerate previously programmed state trunkline projects (*Build Michigan II*). This was the second series of notes issued under this program bringing total GARVEE borrowing to $600.0 million. In 2005 the department converted a large part of the short-term GARVEE notes into longer-term STF bonds (see below). The final payment on the remaining short-term notes, $32.1 million, was made in FY 2007-08.

2002 – CTF and STF Refunding Bonds
In May 2002, the department sold $89.6 million in CTF refunding bonds. The total proceeds (including premium) refinanced $95.6 million in CTF bonds. In August 2002, the department sold $97.9 million in STF refunding bonds. The total proceeds (including premium) totaled $104.5 million.

2003 – $35,020,000 CTF/ASAP Bonds
In April 2003, the State Transportation Commission authorized the sale of up to $38.0 million in CTF bonds. The approved bond list was identical to the one approved in 2002 – $88.5 million in various CTF bond projects and $60.0 million for ASAP airport improvement projects. The department sold $35.0 million in CTF bonds in July 2003 ($36.4 million net proceeds). The department identified $24.0 million from the bond proceeds as related to the ASAP program. The approved project list was last revised by the State Transportation Commission at its July 29, 2010 meeting.

In 2006, the department sold additional CTF bonds under a separate authorization, of which $36.0 million was identified as for the ASAP program. See below for additional description.

2004 – $185,710,000 STF Bonds
At its October 30, 2003 meeting, the State Transportation Commission approved a preliminary resolution regarding the sale of up to $480.0 million in new STF bonds. The Commission gave final approval for the issuance of these bonds on July 29, 2004. The bond list identified a total of 125

[10] ASAP represents the "Airport Safety and Protection Plan," a bond program funding airport safety and security projects. The bond project list identified $60.0 million in ASAP bond program funds. Total ASAP project costs, including federal, local, and other state revenue, totaled approximately $1.1 billion.

Although ASAP debt service is shown as State Aeronautics Fund (SAF) in the transportation appropriations acts, the bonds are guaranteed with CTF revenue; the State Transportation Commission has no constitutional or statutory authority to issue bonds secured with SAF revenue. The SAF revenue for the debt service reimbursement was guaranteed through an earmark of certain Airport Parking Tax revenue made in Public Act 680 of 2002 (House Bill 4454) and Public Act 135 of 2006 (House Bill 5154).

projects with a total estimated cost of $633.6 million. In addition to preservation projects, there were three capacity improvement projects on the list: M-24 in Lapeer County, I-96 at 36th Street in Kent County, and M-42 in Wexford County.

In September 2004, the department issued $185.7 million in bonds, ($201.2 million including premium to issue date) as part of the authorized bond sale. An additional sale under this authorization was made in July 2006.

The State Transportation Commission revised the associated project list at its September 28, 2006 meeting to include certain local projects as part of the $80 million *Local Jobs Today* grant program. The use of STF bond proceeds for local road agency grants was authorized by Public Act 141 of 2006 (House Bill 6003) which amended Act 51 of 1951. The project list related to this bond issue was last amended by the State Transportation Commission at its April 30, 2009 meeting.

2004 – STF Refunding Bonds
In April 2004, the department sold $103.5 million in STF refunding bonds. The total proceeds (including premium) totaled $113.2 million.

2005 – $378,250,000 STF Bonds to Refund GARVEE Notes
On June 30, 2005, the State Transportation Commission authorized the department to restructure up to $400.0 million in short-term GARVEE notes with STF bonds. In August 2005, the department issued $378.2 million in STF bonds. From the proceeds of this sale, which totaled $402.1 million including issue premium, $400.0 million was used to refund GARVEE notes.

2005 – CTF and STF Refunding Bonds
In April 2005, the department issued $62.2 million in CTF refunding bonds ($70.0 million total proceeds), and $223.0 million in STF refunding bonds ($250.0 million total proceeds).

2006 – $53,685,000 CTF/ASAP Bonds
On March 30, 2006, the State Transportation Commission authorized the sale of up to $100 million in CTF bonds. As part of this sale, the department identified $36.0 million as the second and final part of the $60.0 million ASAP bond program. The first $24.0 million in ASAP bonding had been authorized in 2003. The actual bond sale was completed in June 2006. The sale proceeds, including issue premium, totaled $55.0 million. The additional bond proceeds above the $24.0 million for the ASAP program were used to refund prior CTF issues.

2006 – $244,525,000 STF Bonds
In July 2006, the department issued $244.5 million in STF bonds (proceeds totaled $261.5 million). This represented the second and final part of the $480.0 million bond issue first authorized in 2004. The project list associated with this bond issue, and the subsequent revisions, are the same as for the original 2004 STF bond issue described above.

2006/2007 – $485,115,000 *Jobs Today* GARVEE Bonds
On January 26, 2006, the State Transportation Commission approved a preliminary resolution for the sale of up to $630.0 million in STF bonds or GARVEE bonds as part of the *Jobs Today* program. The related project list totaled $796.7 million.

The authorization was amended September 28, 2006, to include up to $192.0 million for a local federal-aid loan program, part of the *Local Jobs Today* program. Under this program, the department loaned money to local road agencies to allow for the construction of local federal-aid projects in 2006 and 2007 which would otherwise have been postponed. The local road agencies were to repay the loans from future federal aid. This financing method is also called "advance construct." All loans to local road agencies under this program were fully repaid in early FY 2010-11 when remaining federal aid became available.

Note that there were two parts of the *Local Jobs Today* program: the local advance-construct loan program using the STF or GARVEE bond proceeds to be issued under this 2006 authorization; and the $80 million local federal-aid grant program authorized under the revised project list for the 2004 STF bonds.

In September 2007, the department sold $485.1 million in GARVEE bonds under this authorization. The total proceeds from the sale, including premium, totaled $503.8 million.

Note: At its March 27, 2008 meeting, the State Transportation Commission also approved a preliminary resolution regarding the sale of up to $150.0 million in new STF or GARVEE bonds. This proposed bond issue was related to Governor Granholm's *Economic Stimulus* program which would advance $150.0 million projects originally slated from construction in 2009 into the 2008 construction season. As noted below, the department sold grant anticipation bonds under the *Jobs Today*/*Economic Stimulus* authorizations in 2009.

2009 – $281,910,000 STF Jobs *Today/Economic Stimulus* Build America Bonds
In June 2009, the department sold $281.9 million of federal "Build America Bonds." These were a new type of grant anticipation bond; Build America Bonds were authorized under provisions of the American Recovery and Reinvestment Act of 2009. Debt repayment was secured by anticipated revenue from the federal-aid highway program.

Unlike other bonds issued by the department, Build America Bonds are not tax-exempt. As a result, the nominal interest rate on the bonds is higher than other department-issued bonds. However, under provisions of the Build American Bond program, the department will receive an interest rebate from the Internal Revenue Service equal to 35% of the of the annual interest payment made to bondholders. Of the $21.5 million in annual scheduled debt service, the anticipated annual IRS rebate amount is $7.5 million.

The department indicated that $138 million of the bond proceeds related to the *Jobs Today* program, and $150 million was for the *Economic Stimulus* program. After issue discount, the actual proceeds from the bond issue totaled $280.0 million.

2009 – $42,335,000 CTF Refunding Bonds
In January 2008, the State Transportation Commission authorized the sale of up to $70 million in CTF refunding bonds. The authorization was amended in August 2008.

In May 2009, the department sold $42.3 million in CTF bonds. The sale proceeds, including issue premium, totaled $44.6 million. The proceeds from this issue were used to retire previously issued CTF bonds, reducing total CTF debt service by approximately $41 million over three fiscal years – FY 2008-09 through FY 2010-11. Because of the nature of the refunding, the *appropriation* for debt service during those years was not reduced. According to IRS regulations the CTF debt service savings was instead transferred to a CTF bond proceeds account for subsequent expenditure on public transportation capital projects. This debt service treatment, i.e. the appropriation and subsequent transfer to a CTF Bond proceeds account, was recognized in three fiscal years as follows: FY 2008-09, $15,377,500; FY 2009-10, $12,758,400; FY 2010-11, $13,167,700.

2009 – $146,190,000 in STF New and Refunding Bonds
In January 2008, the State Transportation Commission authorized the sale of up to $290.0 million in STF refunding bonds. The authorization was amended March, 27, 2008. In November 2009, the department sold $146.2 million in STF bonds. The sale proceeds, including issue premium, totaled $155.5 million. The proceeds from this issue were primarily used to retire previously issued STF bonds; $4.0 million of the proceeds were used to finance state trunkline projects.

2011 – $18,470,000 in CTF Refunding Bonds
On August 25, 2011, the State Transportation Commission authorized the sale of CTF refunding bonds. In November 2011, the department sold $18.5 million in CTF bonds. The sale proceeds, including issue premium, totaled $21.0 million. The proceeds from this issue were used to retire previously issued CTF bonds.

2011 – $90,980,000 in STF Bonds
On March 31, 2011, the State Transportation Commission authorized the sale of up to $105 million in STF bonds. The authorization was amended October 27, 2011, to increase the authorization to $145 million. In December 2011, the department sold $91.0 million in STF bonds under this authorization. The sale proceeds, including issue premium, totaled $101.6 million.

The October 2011 project list associated with this bond issue included 29 trunkline projects with estimated state share of costs totaling $106.2 million.

The department indicated that $40.0 million of this would be used to match federal funds for state trunkline projects. The use of $40.0 million in bond financing to match federal funds had been part of the FY 2010-11 budget agreement with the legislature. However, the actual sale was not made until December 2011, during the 2011-12 fiscal year. The project list included 29 trunkline projects with estimated state share of costs totaling $106.2 million.

Of the 29 projects on the project list, two were related to the certain phases of the Blue Water Bridge Plaza project. Specifically, $1.7 million was for the replacement of the Welcome Center near on I-94/I-69 near the Blue Water Bridge, and $61.0 million was related to the reconstruction and widening of I-94/I-69, related interchange, and replacement the bridge over the Black River. The department anticipates paying debt service related these Blue Water Bridge projects from Blue Water Bridge toll revenue. However, all the bonds in this debt issued were guaranteed with a pledge of STF revenue; the State Transportation Commission has no constitutional or statutory authority to issue bonds secured with toll revenue.

2012 – $49,305,000 in STF Refunding Bonds
On May 17, 2012, the State Transportation Commission authorized the sale of up to $60 million in STF refunding bonds. In July 2012, the department sold $49.3 million in STF bonds. The sale proceeds, including issue premium, totaled $58.0 million. The proceeds from this issue were used to retire previously issued STF bonds.