The Florida Senate

BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Appropriations

BILL: SB 1906

INTRODUCER: Senator Brodeur

SUBJECT: Debt Reduction

DATE: June 5, 2025 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Shettle	Sadberry	AP	**Pre-meeting**

I. Summary:

SB 1906 creates the Debt Reduction Program within the State Board of Administration (SBA) for the purpose of reducing the state's tax-supported debt by accelerating the retirement of outstanding state bonds prior to maturity.

The bill authorizes the Division of Bond Finance (Division) to use the 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 requires the Division to include information related to the bonds that were extinguished and a recommendation as to whether it is in the best interest of the state for the Legislature to continue the debt reduction program in its annual debt report.

The bill has a significant impact on state expenditures. The bill provides for an annual transfer of $250 million from the General Revenue Fund for the Debt Reduction Program. However, an indeterminant amount of savings will be realized both in a reduction to annual debt service payments and avoided interest. See Section V., Fiscal Impact Statement.

The bill is effective July 1, 2025.

II. Present Situation:

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, s. 11 of the State Constitution for education, environmental, transportation, state facilities, and insurance programs. The Division is administratively housed within the State Board of Administration, and is governed by the Governor and Cabinet.[1]

[1] State Board of Administration, Division of Bond Finance, *History*, available at https://bondfinance.sbafla.com/Home/About-the-Division-of-Bond-Finance (last visited June 5, 2025).

State Debt

There are multiple types of debt that may be incurred by the State. The State has both direct and indirect debt.[2] Direct debt means "either tax-supported debt or self-supporting debt." The term "tax-supported debt" is "debt supported by state tax revenues or tax-like revenues." The term "self-supporting debt" is "debt secured by revenues generated from operating bond-financed facilities." The term "indirect state debt" means "debt secured by revenues not appropriated by the state or debt not secured by state revenues."[3]

As of June 30, 2024, the state had $15.4 billion in total direct debt outstanding, a reduction of almost $1 billion from the previous fiscal year.[4] Total tax-supported debt totaled $11.1 billion, while self-supported debt totaled $4.2 billion. Transportation debt is the largest portion of direct debt, accounting for $8.3 billion or 54.3 percent of debt outstanding. Educational facilities represents $5.5 billion or 35.9 percent of debt outstanding. The state's direct debt outstanding has decreased by $10.4 billion (40.4 percent) over the last 10 years.[5]

State Debt Report

The Division is required to conduct an annual debt affordability analysis and report each year for the purpose of providing a framework for the Legislature to evaluate and establish priorities among proposed capital projects requiring the issuance of additional state debt and related appropriations.[6] 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.[7]

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[2] Division of Bond Finance, *2024 State of Florida Debt Report*, (Dec. 2024), pg. 1, available at https://bondfinance.sbafla.com/Portals/0/Content/DebtReport/DAR%20with%202025%20update.pdf?ver=2025-04-21-110103-647 (last visited June 5, 2025).

[3] *Id.*

[4] *Id.*

[5] *Id.*

[6] Section 215.98, F.S.

[7] *Id.*

Accelerated Debt Reduction Recently Authorized

In the Fiscal Year 2023-2024 General Appropriation Act (GAA), the Legislature authorized a one-time transfer of $200 million from the General Revenue Fund to retire outstanding taxable Public Education Capital Outlay (PECO) and State Revolving Fund (SRF) bonds.[8] The Division utilized the transferred funds and available PECO and SRF program funds to retire $399.5 million in outstanding debt. These transactions generated savings for the state of approximately $33.9 million from discounts and avoided interest, in addition to a reduction of future debt service payments.[9]

In the Fiscal Year 2024-2025 GAA, the Legislature provided funding for accelerated debt reduction with an appropriation totaling $500 million including $245 million from the General Revenue Fund, $165 million in Turnpike general reserves, and $90 million from the Right-of-Way Acquisition and Bridge Construction Trust Fund.[10] As of April 2025, the Division has utilized the funds to retire $525.6 million in outstanding state debt. These transactions generated savings for the state of approximately $334.7 million from discounts and avoided interest, in addition to a reduction of future debt service payments.[11]

III. Effect of Proposed Changes:

The bill creates the Debt Reduction Program within the State Board of Administration (SBA) for the purpose of reducing the state's tax-supported debt by accelerating the retirement of outstanding state bonds prior to maturity.

The bill directs the Division of Bond Finance (Division) to use the funds provided for the program to extinguish outstanding state bonds, other than state bonds of the Department of Transportation or the Florida Turnpike Enterprise. Additionally, the division is authorized to make any necessary of incidental transactions for the purpose of realizing debt service savings and reducing the amount of state debt outstanding.

The bill also requires the Division, in the annual debt affordability report, to include a description of the strategies employed to retire outstanding state debt, the amount of state debt retired, the amount of any necessary or incidental payments made, and the debt service savings generated. Additionally, the Division is required to make a recommendation as to whether it is in the best interest of the state for the Legislature to continue the debt reduction program.

[8] Chapter 2023-239, s. 239, Laws of Florida.
[9] Division of Bond Finance, *2024 State of Florida Debt Report* at 2.
[10] Chapter 2024-231, ss. 286 and 287, Laws of Florida.
[11] Email from Ben Watkins, Director of the Division on Bond Finance, dated April 28th, 2025 (on file with the Senate Committee on Appropriations).

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

The bill provides for a recurring transfer of $250 million from the General Revenue Fund for the Debt Reduction Program beginning in Fiscal Year 2025-2026. Any unexpended funds shall revert to the General Revenue Fund on June 30 each fiscal year.

An indeterminate amount of savings will be realized based on reductions to annual debt service payment and interest avoided.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends section 215.98 of the Florida Statutes.

IX. Additional Information:

A. Committee Substitute – Statement of Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.