

THE JOURNAL RECORD

Lost revenue sparks need for new ODOT debt

By: Steve Metzger The Journal Record October 22, 2020 0



Prices were set on \$193 million worth of revenue bonds to be issued in two series, including \$171 million for ODOT projects planned in the next few years. (Photo by Jamie Street via Unsplash)

The state is moving forward with plans to fund upcoming projects of the Oklahoma Department of Transportation with money raised by issuing bond debt.

The Oklahoma Legislature authorized the new debt after being confronted with prospects of major declines in revenues related to the coronavirus pandemic and declines in oil and gas production. The strategy allowed for some \$180 million that might have been appropriated to ODOT in the fiscal year 2021 budget to be

committed instead to spending on education. Bond debt also was authorized to fund high-hazard dam rehabilitation, improvements at state parks and some other projects planned by separate state agencies.

Earlier this week, prices were set on \$193 million worth of revenue bonds to be issued in two series, including \$171 million for ODOT projects planned in the next few years and \$22.3 million in taxable refunding bonds to be issued through the Oklahoma Capitol Improvement Authority. The smaller amount will be used to retire debt and save about \$1.8 million in interest on an ODOT bond issuance dating to 2012. The interest rate will be 0.99% with the series due to reach final maturity in 2025. An interest rate of 2.81% was negotiated on the larger amount, to be funded through 30-year maturity bonds. The state worked with JP Morgan and Bank of Oklahoma as co-senior underwriters and Morgan Stanley and Stifel as co-managers.

Oklahoma deputy state treasurer for debt management Andrew Messer said it was sensible to turn to bond financing in a tough budget year to ensure continued funding of projects included in ODOT's current eight-year plan.

"I think it's good practice, with interest rates being so low, to exercise our borrowing power as a state," he said.

To shore up state spending in FY 20 following the arrival of COVID-19 and to minimize impacts in FY 21, lawmakers tapped about three-quarters of more than \$1 billion that had been held in state savings. Funds normally dedicated to retirement funds for teachers and public safety workers were redirected. Funds also were redirected from transportation, and other strategies were employed. Still, state agency budgets had to be cut on average by 4% or less.

The Oklahoma Transportation Commission, which supervises ODOT, vowed to press on with critical highway projects. For example, in September, members voted to award a contract for \$90 million worth of work to widen Interstate 44 and replace five bridges in Tulsa.

