result, principal on the restructured bonds is outstanding longer and therefore, the interest costs to the issuer are greater.

The proceeds from general obligation bonds or short-term commercial paper related to those obligations that is issued by the state are required under the state Constitution to be used to construct or improve long-term assets such as roads, harbors, railways, or state buildings, to purchase land or other assets under programs like the state's stewardship program, or to protect the state's water or other natural resources under a program like the nonpoint source pollution abatement program. Conversely, in issuing bonds to restructure its existing general obligation debt, the state incurs an additional long-term debt obligation but would not acquire any additional offsetting capital asset associated with that debt. Rather, the state is issuing additional long-term debt only for the purposes of making a principal payment on its existing debt.

Restructuring debt is a common financial tool used by institutions when their budgets are stressed due to stagnating or declining revenues or increasing costs. Governments can experience budget stress when the growth in existing revenues declines due to an economic downturn or as a result of legislation that reduces the amount of annual revenue generated from its revenue sources. Also, the over-commitment of existing revenues for spending programs can lead to budget stress.

Private sector corporations and households often use debt restructuring as a means to reduce current costs when facing financial stress. For example, a household with eight years remaining on an existing 15-year home mortgage, that is facing a financial hardship due to a reduction in income or an increase in personal costs, may choose to restructure the remaining seven years on its existing mortgage debt. In restructuring its mortgage debt, the household could refinance the remaining eight years of principal associated with its current mortgage by replacing it with another 15-year mortgage. In doing so, the household would spread out its remaining principal over 15 years, which would lower the household's monthly mortgage payment and allow it to more easily make current ends meet. However, similar to a debt restructuring transaction, this action would also extend the household's final maturity date on its mortgage by seven years and increase the overall interest costs paid in financing the home.

2011 Act 13 and Act 32 Debt Restructuring Actions

You also requested information on the amount of state general obligation debt that has been restructured since January 1, 2011, as well as the amount of general obligation debt that will be restructured under the 2011-13 biennial budget. In May, 2011, the state restructured approximately $190.0 million, net of bond premiums, in GPR debt principal that would have otherwise been repaid in May, 2011. This transaction used the $165.0 million in bond refinancing authority authorized under 2011 Act 13, along with $50 million in existing refinancing authority.

In addition, as approved under the 2011-13 biennial budget (2011 Act 32), the state will restructure an additional $338.3 million in outstanding GPR supported general obligation bond and variable rate commercial paper principal that otherwise is scheduled to be repaid in 2011-12. As a result, $528.3 million in outstanding principal due on the state's GPR supported debt will be restructured under the two transactions.