

2017 Second Extraordinary Session

HOUSE BILL NO. 3

BY REPRESENTATIVE ABRAMSON

CAPITAL OUTLAY: Provides for the Omnibus Bond Act and provides for limitations on certain appropriations included in the Capital Outlay Act for Fiscal Year 2017-2018 (Item #4)

1 AN ACT

2 To enact the Omnibus Bond Authorization Act of 2017, relative to the implementation of  
3 a five-year capital improvement program; to provide for the repeal of certain prior  
4 bond authorizations; to provide for new bond authorizations; to provide for  
5 authorization and sale of such bonds by the State Bond Commission; to provide  
6 relative to the submission of capital outlay applications; to provide with respect to  
7 the resubmission of certain capital outlay budget requests; to require approval of the  
8 State Bond Commission under certain circumstances; to provide for an effective  
9 date; and to provide for related matters.

10 Be it enacted by the Legislature of Louisiana:

11 Section 1. The legislature hereby recognizes that the Constitution of Louisiana  
12 provides in Article VII, Section 11, that the governor shall present to the legislature a five-  
13 year Capital Outlay Program and request implementation of the first year of such program,  
14 and that the capital outlay projects approved by the legislature are to be made part of the  
15 comprehensive state capital budget which shall, in turn, be adopted by the legislature.  
16 Further, all projects in such budget adopted by the legislature requiring bond funds must be  
17 authorized as provided in Article VII, Section 6 of the Constitution of Louisiana. The  
18 legislature finds that over a period of years the legislature has enacted numerous bond  
19 authorizations, but due to inflation and the requirements of specificity of amount for each  
20 project, impossibility, or impracticability, many of the projects cannot be undertaken. All

1 of the unissued bonds must be listed in the financial statements of the state prepared from  
2 time to time and in connection with the marketing of bonds, and are taken into account by  
3 rating agencies, prospective purchasers, and investors in evaluating the investment quality  
4 and credit worthiness of bonds being offered for sale. The continued carrying of the  
5 aforesaid unissued bonds on the financial statements of the state under the above described  
6 circumstances operates unnecessarily to the financial detriment of the state. Accordingly, the  
7 legislature deems it necessary and in the best financial interest of the state to repeal all Acts,  
8 except any Act authorizing the issuance of refunding bonds and Act 41 of the 2006 First  
9 Extraordinary Session, providing for the issuance of general obligation bonds in the state  
10 which cannot be issued for the projects contemplated, and in their stead to reauthorize  
11 general obligation bonds of the state for those projects deemed to be essential, and to  
12 authorize new projects.

13       Section 2. It is the intent of the legislature that this Act shall constitute the Omnibus  
14 Bond Authorization Act of 2017 and, together with any Act authorizing the issuance of  
15 refunding bonds and Act 41 of the 2006 First Extraordinary Session, shall provide bond  
16 authorization, as required by Article VII, Section 6 of the Constitution of Louisiana, for  
17 those projects to be funded totally or partially by the sale of general obligation bonds and  
18 included in House Bill No. 2 of the 2017 Regular Session as finally enacted into law (2017  
19 Capital Outlay Act). It is the further intent of the legislature that in this year and each year  
20 hereafter an Omnibus Bond Authorization Act shall be enacted providing for the repeal of  
21 state general obligation bond authorizations for projects no longer found feasible or  
22 desirable, the reauthorization of those bonds not sold during the prior fiscal year for projects  
23 deemed to be of such priority as to warrant such reauthorization, and to enact new  
24 authorization for projects found to be needed for capital improvements.

25       Section 3. Except as hereinafter provided, all prior Acts of the legislature authorizing  
26 the issuance of general obligation bonds of the state of Louisiana shall be and the same are  
27 hereby repealed in their entirety, including without limitation House Bill No. 3 of the 2016  
28 Second Extraordinary Session of the Louisiana Legislature as finally enacted into law (2016  
29 Omnibus Bond Authorization Act) and any Acts heretofore repealed with such Act. This  
30 repeal shall not be applicable to any Act providing for the issuance of refunding bonds nor

1 to Act 41 of the 2006 First Extraordinary Session, and such Acts shall remain in full force  
2 and effect and shall not be affected by the provisions of this Act. In addition, the repeal shall  
3 not in any manner affect the validity of any bonds heretofore issued pursuant to any of the  
4 bond authorizations repealed hereby.

5 Section 4. To provide funds for certain capital improvement projects the State Bond  
6 Commission is hereby authorized pursuant to Article VII, Section 6 of the Constitution of  
7 Louisiana to issue general obligation bonds or other general obligations of the state for  
8 capital improvements for the projects, and subject to any terms and conditions set forth on  
9 the issuance of bonds or the expenditure of monies for each project as is provided for in the  
10 2017 Capital Outlay Act.

11 Section 5.(A) To provide funds for certain capital improvement projects authorized  
12 prior to this Act and by this Act, which projects are designed to provide for reimbursement  
13 of debt service on general obligation bonds, the State Bond Commission is hereby authorized  
14 pursuant to Article VII, Section 6 of the Constitution of Louisiana, to issue general  
15 obligation bonds of the state, hereinafter referred to as "project bonds", for capital  
16 improvements for the projects and subject to any terms and conditions set forth on the  
17 issuance of bonds or the expenditure of monies for each such project as provided in the 2017  
18 Capital Outlay Act the terms of which require such reimbursement of debt service.

19 (B) Without affecting, restricting, or limiting the pledge herein made of the full faith  
20 and credit of the state of Louisiana to the payment of the general obligation bonds authorized  
21 by this Section and without affecting, restricting, or limiting the obligation of the state to pay  
22 the same from monies pledged and dedicated to and paid into the Bond Security and  
23 Redemption Fund, but in order to decrease the possible financial burden on the general funds  
24 of the state resulting from this pledge and obligation, the applicable management board,  
25 governing body, or state agency for which any of such project bonds are issued, in the fiscal  
26 year in which such project bonds are issued and in each fiscal year thereafter until such  
27 project bonds and the interest thereon are paid, shall transfer and make available to the state  
28 treasury, for deposit in the Bond Security and Redemption Fund, designated student fees or  
29 revenues or other revenues in an amount equal to the debt service on such project bonds in  
30 such fiscal year. In addition, the applicable management board, governing body, or state

1 agency, in the fiscal year in which such project bonds are issued and in each of the nine  
2 immediately succeeding fiscal years thereafter, shall transfer and make available to the state  
3 treasury from designated student fees or revenues or other revenues, for credit to a  
4 reimbursement reserve account for such project bonds which shall be established in an  
5 account designated in the reimbursement contract hereafter provided for, monies in an  
6 amount equal to one-tenth of the average annual debt service on such project bonds, and  
7 each such reimbursement reserve account thereafter shall be maintained in said minimum  
8 amount by further transfers, if necessary, from designated student fees or revenues or other  
9 revenues by the applicable management board, governing body, or state agency to the state  
10 treasury. Each such reimbursement reserve account shall be used, if necessary, solely to  
11 make the reimbursement payments herein obligated to be made to the state treasury. When  
12 the general obligation bonds and the interest thereon issued hereunder have been paid, any  
13 amount remaining in the reimbursement reserve account, as prorated to such authorized  
14 project, shall be transferred by the state treasurer to the applicable management board,  
15 governing body, or state agency.

16 (C) No project bonds authorized by this Section shall be issued for any authorized  
17 project unless and until a reimbursement contract has been entered into and executed  
18 between the applicable management board, governing body, or state agency and the State  
19 Bond Commission pertaining to the reimbursement payment and reimbursement reserve  
20 account payments for such project. The contract shall require payment into the state treasury  
21 of designated student fees or revenues or other revenues in an amount sufficient to reimburse  
22 the cost to the state of the principal, interest, and premium, if any, obligated to be paid by  
23 the state on such project bonds. The State Bond Commission shall not be required to execute  
24 any such reimbursement contract unless the estimates and projections of the designated  
25 student fees or revenues or other revenues available for payment into the state treasury  
26 thereunder for the authorized projects are sufficient to reimburse the costs of the principal,  
27 interest, and premium, if any, on the project bonds. A reimbursement contract hereunder  
28 shall be authorized by resolution of the applicable management board, governing body, or  
29 state agency, or board or by act of the chief executive officer if no governing board exists.

1           This authorization shall provide for the dates, amounts, and other details for the  
2 payments required to be made to the state treasury and for the reserve account. The  
3 authorization may contain such covenants with the State Bond Commission regarding the  
4 fixing of rates for fees and charges or revenues and such other covenants and agreements  
5 with the State Bond Commission as will assure the required payments to the state treasury.  
6 The contract shall be subject to approval by the Office of the Attorney General and the State  
7 Bond Commission and, when so accepted and approved, shall conclusively constitute and  
8 be the reimbursement contract for an authorized project, as required hereunder.

9           (D) The obligation to make the reimbursement payments as required by a  
10 reimbursement contract may be represented by the issuance by the applicable management  
11 board, governing body, or state agency of its nonnegotiable revenue obligation in the form  
12 of a bond or other evidence of indebtedness, hereinafter referred to as "reimbursement  
13 bond". The reimbursement bond shall be issued in a single bond form, without coupons, in  
14 the principal amount equal to the aggregate principal amount of project bonds, shall be  
15 registered in principal and interest in the name of and be payable to the State Bond  
16 Commission, shall bear interest at a rate or rates equal to the interest rate or rates payable  
17 on the project bonds, and shall be payable as to principal and interest at such times, in such  
18 manner, from designated student fees or revenues, or other revenues, and be subject to such  
19 terms and conditions as shall be provided in the authorizing resolution or document executed  
20 by a chief executive officer, where applicable. This authorization shall be subject to approval  
21 by the State Bond Commission and the Office of the Attorney General, and when so  
22 accepted and approved, the authorization shall constitute and be the reimbursement contract  
23 for such authorized project, as required hereunder. The reimbursement bonds authorized  
24 under the provisions of this Section may be issued on a parity with outstanding  
25 reimbursement bonds of the applicable management board, governing body, or state agency,  
26 or issued on a subordinate lien basis to outstanding bonds, or a combination thereof, and may  
27 include and contain such covenants with the State Bond Commission for the security and  
28 payment of the reimbursement bonds and such other customary provisions and conditions  
29 for their issuance by the applicable management board, governing body, or state agency as  
30 are authorized and provided for by general law and by this Section. Until project bonds for

1 an authorized project have been paid, the applicable management board, governing body,  
2 or state agency shall impose fees and charges in an amount sufficient to comply with the  
3 covenants securing outstanding bonds and to make the payments required by the  
4 reimbursement contract.

5 (E) In addition to the other payments herein required, reimbursement contracts shall  
6 provide for the setting aside of sufficient student fees or revenues or other revenues in a  
7 reserve fund, so that within a period of not less than ten years from date of issuance of  
8 project bonds there shall be accumulated in a reserve fund monies equal to a sum not less  
9 than the average annual debt service requirements on such project bonds. Monies in the  
10 reserve fund shall be used for the purpose of remedying or preventing a default in making  
11 the required payments under a reimbursement contract. The reserve fund required hereunder  
12 may consist of a reserve fund heretofore or hereafter established to secure payments for  
13 reimbursement bonds of the applicable management board, governing body, or state agency,  
14 provided that (1) payments from said reserve fund to secure the payments required to be  
15 made under a reimbursement contract shall be on a parity with the payments to be made  
16 securing outstanding bonds and additional parity bonds and (2) no additional parity  
17 reimbursement bonds shall be issued except pursuant to the establishment and maintenance  
18 of an adequate reserve fund as approved by the State Bond Commission.

19 (F) When the balance of reimbursement bond proceeds, for a project, are allocated  
20 to another project, the State Bond Commission is authorized to make the appropriate  
21 amendment to the reimbursement contract with the agency making the reimbursement  
22 payments.

23 Section 6. The bonds authorized to be sold by the State Bond Commission pursuant  
24 to this Act shall be issued and sold in conformity with the provisions of Article VII, Section  
25 6 of the Louisiana Constitution, R.S. 39:1361 through R.S. 39:1367, and R.S. 39:1401  
26 through R.S. 39:1430.1, and any amendments thereto adopted prior to, at the same time as,  
27 or subsequent to, the effective date of this Act. However, the provisions of R.S. 39:1365(9)  
28 shall not apply to any bonds issued hereunder in the form of variable rate and/or tender  
29 option bonds and that said bonds need not be issued in serial form and may mature in such  
30 year or years as may be specified by the State Bond Commission. Should any provision of

1 this Act be inconsistent with any provision of the Louisiana Revised Statutes of 1950, the  
2 provision of this Act shall govern. In connection with the issuance of the bonds authorized  
3 hereby, the State Bond Commission may, without regard to any other laws of the state  
4 relating to the procurement of services, insurance, or facilities, enter into contracts upon such  
5 terms as it deems advantageous to the state for (1) the obtaining of credit enhancement or  
6 liquidity devices designed to improve the marketability of the bonds and (2) if the bonds are  
7 structured as variable rate and/or tender option bonds to provide the services and facilities  
8 required for or deemed appropriate by the State Bond Commission for such type of bonds,  
9 including those of tender agents, placement agents, indexing agents, remarketing agents,  
10 and/or standby bond purchase facilities. The cost of obtaining credit enhancement or  
11 liquidity devices and fees for other services set forth in this Section shall, if authorized by  
12 the State Bond Commission, be paid from the Bond Security and Redemption Fund as a  
13 requirement with respect to the issuance of the bonds authorized hereby. The bonds shall be  
14 general obligations of the state of Louisiana, to the payment of which, as to principal,  
15 premium, if any, and interest, as and when the same become due, the full faith and credit of  
16 the state is hereby irrevocably pledged. These bonds shall be secured by monies in the Bond  
17 Security and Redemption Fund and shall be payable on a parity with bonds and other  
18 obligations heretofore and hereafter issued which are secured by that fund. The maximum  
19 interest rate or rates on such bonds, and their maturities, shall be determined by the State  
20 Bond Commission. The state treasurer shall invest all bond proceeds until disbursed.

21 Section 7. Unless specifically repealed, this Act shall expire, and be considered null  
22 and void and of no further effect on June 30, 2018, except as to any bonds authorized herein  
23 (1) which have been sold, (2) to which lines of credit have been issued, or (3) for which  
24 contracts for construction have been signed.

25 Section 8. Notwithstanding the provisions of R.S. 39:101(A) and 112(C), projects  
26 included within Section (1)(A) of House Bill No. 2 of the 2017 Regular Session of the  
27 Legislature are hereby deemed to have timely resubmitted capital outlay budget request  
28 applications for Fiscal Year 2017-2018 and to have complied with the late approval  
29 requirements of R.S. 39:112(C), and as such shall be eligible for cash and noncash lines of

1 credit for Fiscal Year 2017-2018. Beginning in Fiscal Year 2018-2019, all projects shall  
2 comply with the provisions of R.S. 39:101(A) and 112(C).

3 Section 9. Notwithstanding the provisions of R.S. 39:101(A) and 112(C), projects  
4 included within Section (1)(B) of House Bill No. 2 of the 2017 Regular Session of the  
5 Legislature are hereby deemed to have until June 19, 2017, to submit capital outlay budget  
6 request applications pursuant to R.S. 39:101(A) and to obtain late approval pursuant to the  
7 provisions of R.S. 39:112(C). Beginning in Fiscal Year 2018-2019, all projects shall  
8 comply with the provisions of R.S. 39:101(A) and 112(C).

9 Section 10. No project which receives an appropriation in the Capital Outlay Act for  
10 Fiscal Year 2017-2018 shall be exempt from any provision of the public bid laws or laws  
11 pertaining to the review of plans and specifications by the state entity administering the  
12 project without prior authorization from the State Bond Commission. Furthermore, no  
13 project that receives an appropriation in the Capital Outlay Act shall enter into contracts  
14 prior to the issuance of a line of credit, prior to receipt of funding, or prior to entering into  
15 a cooperative endeavor agreement, nor may the entity be reimbursed for any such  
16 expenditures without prior authorization from the State Bond Commission. Notwithstanding  
17 anything in this Act, or any other Capital Outlay Act, the Milne Boys Home Complex -  
18 North and South Cottage Renovation project is hereby transferred from the Gentilly  
19 Development District to the City of New Orleans. Furthermore, the issuance of a line of  
20 credit for all or a portion of the funds in Priority 2 or Priority 5 for the Milne Boys Home  
21 Complex - North and South Cottage Renovation project shall be subject to the submission  
22 of a duly adopted resolution of the City Council of New Orleans in support of the Gentilly  
23 Development District, which resolution shall be submitted to the commissioner of  
24 administration, the State Bond Commission, and the attorney general.

25 Section 11. This Act shall become effective upon signature by the governor or, if not  
26 signed by the governor, upon expiration of the time for bills to become law without signature  
27 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If  
28 vetoed by the governor and subsequently approved by the legislature, this Act shall become  
29 effective on the day following such approval.



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**DIGEST**

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

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HB 3 Engrossed

2017 Second Extraordinary Session

Abramson

**Abstract:** Provides for the implementation of a five-year capital improvement program; provides for limitations and exceptions for projects receiving capital outlay appropriations for FY 2017-2018; and prohibits certain exemptions from present law without the approval of the State Bond Commission.

Proposed law provides for the implementation of a five-year capital improvement program; provides for the repeal of certain prior bond authorizations; provides for new bond authorizations; provides for authorization and sale of such bonds by the State Bond Commission; and provides for related matters.

Proposed law deems projects included within Section (1)(A) of HB No. 2 of the 2017 R.S. to have timely resubmitted capital outlay budget request applications for FY 2017-2018 and to have complied with the late approval requirements of present law. Further authorizes these projects to be eligible for lines of credit for FY 2017-2018.

Proposed law deems projects included within Section (1)(B) of HB No. 2 of the 2017 R.S. to have until June 19, 2017, to submit capital outlay budget request applications and to obtain late approval pursuant to present law.

Proposed law prohibits projects receiving capital outlay appropriations for FY 2017-2018 from being exempt from public bid laws or laws pertaining to the review of plans and specifications by administering agencies without prior authorization from the State Bond Commission. Further prohibits projects receiving capital outlay appropriations for FY 2017-2018 from entering into contracts prior to the issuance of a line of credit, prior to receipt of funding, or prior to entering into a CEA, nor receiving reimbursement for expenditures without prior authorization from the State Bond Commission.

Proposed law transfers the Milne Boys Home Complex - North and South Cottage Renovation project is hereby transferred from the Gentilly Development District to the City of New Orleans. Further provides that the issuance of a line of credit for all or a portion of the funds in Priority 2 or Priority 5 for the Milne Boys Home Complex - North and South Cottage Renovation project shall be subject to the submission of a duly adopted resolution of the City Council of New Orleans in support of the Gentilly Development District, which resolution shall be submitted to the commissioner of administration, the State Bond Commission, and the attorney general.

Proposed law requires all projects receiving capital outlay appropriations to comply with the provisions of present law beginning in FY 2018-2019.

Effective upon signature of governor or lapse of time for gubernatorial action.