



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 277** SLS 22RS 477
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.: **REVISED**

Date: April 26, 2022	10:06 AM	Author: CORTEZ
Dept./Agy.: Transportation and Development, Treasury		Analyst: Alan M. Boxberger
Subject: Creates the Megaprojects Leverage Fund		

FUNDS/FUNDING RE SEE FISC NOTE SD EX See Note Page 1 of 2
 Creates the the Megaprojects Leverage Fund. (gov.sig)

Present law provides that beginning in FY 24, 30% of the avails of the taxes from the sale, use, or lease of motor vehicles shall be deposited into the Construction Subfund of the TTF, increasing to 60% beginning in FY 25 and each fiscal year thereafter; provides that DOTD shall utilize up to 75% of the monies deposited into the subfund on certain enumerated mega projects; provides that if the Revenue Estimating Conference revises the official forecast resulting in a decrease of \$100 M or more from the official forecast of the beginning of the current year, the amount deposited into the subfund may not exceed \$150 M; and prohibits the issuance of total debt in excess of \$150 M per fiscal year that is secured by vehicle sales tax revenue deposited into the subfund.

Proposed law authorizes that relevant taxes shall also be deposited into the Megaprojects Leverage Fund; eliminates the REC trigger limiting the combined amount deposited into the Subfund and Leverage Fund to \$150 M; repeals the cap on the issuance of debt at \$150 M secured by monies in the subfund; creates the Megaprojects Leverage Fund and provides for deposits; creates four special

SUMMARY CONTINUED ON PAGE TWO

EXPENDITURES	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	SEE BELOW	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0					\$0

REVENUES	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

Proposed law creates the Megaprojects Leverage Fund in the state treasury and provides that the treasurer shall deposit into the Fund 75% of that portion of taxes from the sale, use or lease of motor vehicles that would be deposited into the Construction Subfund of the Transportation Trust Fund in accordance with LA R.S. 48:77(A)(2). Under **present law**, beginning in FY 25, the projected deposits corresponding to 60% of these total taxes into the Construction Subfund are \$325.1 M according to the REC estimate adopted on 1/11/22. **Proposed law** appears to divert \$243.8 M (75% of \$325.1) into the Megaprojects Leverage Fund, which is the same amount intended for megaprojects and cash managed capacity projects included in the highway priority program within the Construction Subfund under the provisions of LA R.S. 48:77(C). The amounts that would be deposited into the Megaprojects Leverage Fund are estimated at \$243.8 M in FY 25 and \$214.95 M in FY 26. The current REC forecast does not yet incorporate projections for FY 27. For purposes of this fiscal note, the LFO assumes a standstill amount equal to the FY 26 figure at \$214.95 M.

Proposed law allocates the proceeds of deposits into the Megaprojects Leverage Fund into four special accounts within the fund, with 25% deposited into each special account to provide funding for four enumerated megaprojects (see project information on page two).

Proposed law authorizes the state bond commission to issue motor vehicle sales and use tax bonds and pledge for the payment of principal and interest such portion of the motor vehicle sales and use tax as is to be deposited into the Megaprojects Leverage Fund pursuant to LA R.S. 48:77.1.

Proposed law creates the Motor Vehicle Sales and Use Tax Bond Fund and appropriate subaccounts for the purpose of securitization of any bonds that may be issued. Monies in the Motor Vehicle Sales and Use Tax Bond Fund shall be applied to pay debt service and all related costs on bonds issued by the bond commission for these specific projects. An amendment adopted on the Senate Floor removed the cap of \$25 M per account annually that could be used to make debt payments. Debt payments will therefore be constrained by the 25% allocation into each account and the bond market's willingness to issue appropriations-supported debt payments. **Proposed law** provides that bonds issued under this provision shall not be deemed to constitute a pledge of the full faith and credit of the state or any governmental unit thereof.

Proposed law directs an allocation of monies deposited into the Megaprojects Leverage Fund in equal amounts of 25% to each of four enumerated megaproject accounts. **Proposed law** would result in a deposit of \$60.95 M into each account in FY 25, and \$53.74 M in FY 26 and beyond.

EXPENDITURE EXPLANATION CONTINUED ON PAGE TWO

REVENUE EXPLANATION

Proposed law will divert deposits from certain revenue sources from the Construction Subfund of the Transportation Trust Fund into the newly created Megaprojects Leverage Fund. **Proposed law** eliminates the REC trigger limiting the combined amount to be deposited into the Subfund and Megaprojects Leverage Fund to \$150 M in years when the REC reduces the SGF forecast by \$100 M or more from the official forecast at the beginning of the year. In years where such a trigger occurs, the full 30% (in FY 24) or 60% (in FY 25 and thereafter) will still be deposited into the Subfund and/or Megaprojects Leverage Fund. The LFO cannot determine the frequency of such occurrence.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux

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 Interim Deputy Fiscal Officer



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CONTINUED EXPLANATION from page one:

SUMMARY CONTINUED FROM PAGE ONE

accounts within the Megaprojects Leverage Fund and provides for deposits; provides for appropriations; provides for issuance of bonds; provides for the creation of the Motor Vehicle Sales and Use Tax Bond Fund and provides for deposits; provides for bond resolution requirements; provides that bonds issued shall not be full faith and credit obligations of the state; provides for inclusion of bonds as net state tax supported debt; and provides that prior to DOTD entering into a public-private partnership with respect to a megaproject the department shall obtain approval from the Joint Legislative Committee on the Budget.

EXPENDITURE EXPLANATION CONTINUED FROM PAGE ONE

Project information is as follows:

I-10 Calcasieu River Bridge and I-10 Improvements Account

Estimated Total Project Cost: \$1.8 B plus for Calcasieu River Bridge and I-10 improvements
Current identified funding: \$200 M (\$85 M G.O. Priority 5, \$30 M Coronavirus Response and Relief Supplemental Accounts Appropriations Act, \$50 M American Rescue Plan Act and \$35 M in the Infrastructure Investment and Jobs Act); governor proposes \$100 M non-recurring SGF allocation, not yet approved but incorporated in HB 2 Re-Reengrossed out of the La Rescue Plan Fund.

I-49 South Leverage Fund Account

Estimated Total Project Cost: \$8.6 B for 15 project segments (5 are complete at total cost of \$200 M)
Current identified funding: \$7.5 M annually in Statutory Dedications out of the Unclaimed Property Leverage Fund; governor proposes \$100 M non-recurring SGF allocation, not yet approved but incorporated in HB 2 Re-Reengrossed out of the La Rescue Plan Fund.

Mississippi River at Baton Rouge and Connections Account

Estimated Total Project Cost: Greater than \$2 B for bridge and connecting arteries
Current identified funding: None; governor proposes \$500 M non-recurring SGF allocation, not yet approved

I-19 North Leverage Fund Account

Estimated Total Project Cost: \$865 M annually to \$1.2 B depending on route selection
Current identified funding: \$7.5 M in Statutory Dedications out of the Unclaimed Property Leverage Fund

Once any enumerated project has been completed and issued final acceptance, the project's corresponding Account shall receive no further deposits and monies that would have been deposited into that account shall be divided equally among accounts still eligible to receive deposits. Once all four projects are complete, deposits into the Megaprojects Leverage Fund will cease.

State Bond Commission reports that each \$25 M per year within an account to be used for bond indebtedness would allow for a bond sale of approximately \$375 M - \$500 M depending on market conditions and duration of payoff (20, 30 or 40 years). State Bond Commission reports that bonds issued in conjunction with this measure will result in issuance costs and annual debt service payments. The commission estimates ongoing costs, such as annual Trustee/Paying Agent fees, at \$10,000 annually, presumably paid from the Megaprojects Leverage Fund.

Fragmenting the monies deposited into accounts in equal allocated amounts for the four projects may result in extending the horizon before which any single project is fully completed. For example, in present law DOTD is permitted to use monies for any of the projects and could prioritize the available resources to complete the "most ready" project or the least expensive. In proposed law DOTD will have to wait until sufficient cash accumulates in a project's account so that, when added to available bond proceeds at a future point in time, the department will have sufficient resources to fully fund the project or a phase thereof. To the extent that the legislature is able to identify alternate funding sources to allocate to specific projects, DOTD enters into Public Private Partnerships (P3) to provide bridge financing for project costs, DOTD is able to break projects into phases, or other options materialize, expenditures may occur sooner. Before entering into a P3 partnership for a contemplated megaproject, DOTD must secure JLCB approval.

Proposed law is silent with regard to the status of seven projects enumerated in LA 48:77(C)(2) as cash managed capacity projects included in the highway priority program. These projects are also authorized to receive funding from the 75% allocation under LA 48:77 (A)(2). Diversion of the 75% allocation into the Megaprojects Leverage Fund leaves the funding mechanism status of these projects uncertain. For informational purposes, DOTD reports that the total funding source in present law is insufficient to fully address the scope of projects enumerated in LA 48:77(C) and that the megaprojects were likely to absorb the bulk of expenditure authority. DOTD reports that it plans to address the projects in LA 48:77(C)(2) within the funding allocation detailed in LA 48:77(D) for highway and bridge preservation projects by matching those funds with federal dollars.

Proposed law creates within the state treasury a marginal workload increase for the Department of Treasury associated with creation of two new Statutory Dedications, which can generally be absorbed with existing resources. However, to the extent other legislative instruments create additional workload, there may be material additional costs associated with the aggregate effort to administer these funds. The Treasury performs fund accounting, financial reporting, banking and custodial functions for 436 special funds. When unable to absorb additional workload with existing resources, the Treasury may need to add one T.O. position at a total personnel services cost of approximately \$73,000, plus approximately \$2,450 for a one-time purchase of office equipment. These expenditures are assumed to be SGR in this fiscal note.

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