

RÉSUMÉ DIGEST

ACT 424 (HB 155)

2023 Regular Session

Butler

New law establishes a revolving loan fund in the state treasury to be known as the La. Rural Infrastructure Revolving Loan Program Fund, hereinafter "fund", which shall be maintained and operated by the Dept. of the Treasury. Provides for the source of monies deposited into the fund including the deposit of funds for the repayment of principal and interest on loans and other obligations made to local governments financed from the fund. Provides that funds may be used to finance loans and obligations for projects of local governments if reserves for expenditures for the administration of the fund that the department deems necessary and prudent are retained in the fund.

New law requires money in the fund to be invested by the state treasurer in the same manner as money in the state general fund and requires interest earned on the investment of the money in the fund to be credited to the fund after compliance with the requirements of existing constitution relative to the Bond Security and Redemption Fund. Provides that all unexpended and unencumbered money in the fund at the end of a fiscal year shall remain in the fund.

New law limits the maximum amount of a loan that may be funded through the fund to \$1.5M.

New law defines a "local government" for purposes of new law as a political subdivision with a population of less than 15,000 according to the latest federal decennial census. Further limits a local government to one loan from the revolving loan fund until the loan is paid in full; however, once all of the principal, interest, and any other fees and obligations due under the loan agreement are paid in full, the local government may apply for a new loan from the revolving loan fund.

New law requires a local government to comply with all of the following in order to be eligible for a loan pursuant to the provisions of new law:

- (1) Demonstrate it has financial resources and a financial strategy for the duration of the lifecycle of the project to ensure the project is sufficiently funded, maintained, and replaced as needed.
- (2) Be in good-standing and comply with audit requirements provided for in existing law at the time of applying for and receiving the loan as well as during the duration of the term of the loan.

New law authorizes the Dept. of the Treasury to promulgate rules in accordance with existing law (Administrative Procedure Act) as are necessary to implement the provisions of new law including rules to adopt a schedule of reasonable fees and charges to pay for the costs of administering the fund and rules to respond to emergency requests.

New law requires that before a loan or other assistance may be requested, the project shall first have been approved by the "certifying department". Designates the State Bond Commission (SBC) as the certifying department for emergency requests.

New law defines an "emergency request" as an eligible infrastructure project request submitted by a local government between legislative sessions that is essential to alleviate conditions that are hazardous to life, health, or property. "Emergency request" includes projects that have an anticipated useful life of less than 20 years and a value or cost of less than \$50,000 that would not otherwise qualify for funding in an approved infrastructure program.

New law, with respect to a bond, note, or other evidence of indebtedness of a local government issued through a loan, provides for the same requirements concerning interest rates and public notice as provided in existing law concerning the adoption of a resolution or ordinance authorizing the issuance of indebtedness.

New law authorizes a local government to pledge as security for a loan and any ancillary fees or other costs, any revenues from its general revenue fund, sales taxes, sewer user fees, assessments, parcel fees, or ad valorem property taxes.

New law exempts from taxation, any interest on bonds, notes, or other evidences of indebtedness issued through a loan.

New law for purposes of security of debt or performance obligations of debt for projects, authorizes the SBC to issue and deliver evidences of its guarantee of the debt of other entities, and to execute pledges of the monies on deposit in the SBC, including payments pursuant to letters of credit. All evidences of indebtedness, guarantees, and pledges delivered pursuant to this authority shall constitute limited obligations of the SBC and shall not be secured by the full faith and credit of the state.

New law provides that the withdrawal of monies from the revolving loan fund to pay debt service on any bond, note, or other evidence of indebtedness, obligation of guarantee of any debt, or pledge to secure any debt, or fees and associated costs to administer a loan shall not constitute or be subject to appropriation by the legislature.

New law authorizes the legislative auditor to review all applications for compliance with the provisions of new law.

New law requires, beginning Jan. 1, 2026, and every two years thereafter, the SBC to issue a report to the House Committee on Ways and Means and the Senate Committee on Revenue and Fiscal Affairs which includes information on the number of loans approved by the commission, outstanding loan balances, including principal and interest, the status of any debt sold to provide monies for the fund, costs incurred by the SBC to administer the fund, and the status of rules adopted by the SBC.

Existing law provides for the definition of "net state tax supported debt" and includes those issuances excluded from the definition.

New law adds as an exclusion, any bond, note, certificate, warrant, reimbursement obligation, or other evidence of indebtedness issued pursuant to new law.

New law provides that implementation of new law is subject to the appropriation of funds by the legislature.

Effective July 1, 2023.

(Adds R.S. 39:462.1-462.8 and R.S. 39:1367(E)(2)(b)(x))