LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **SB 318** SLS 24RS 174

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 10, 2024 10:38 AM **Author:** WOMACK

Dept./Agy.: Capital Outlay/Louisiana Legislative Auditor

Subject: Capital Outlay Escrow Accounts **Analyst:** Kimberly Fruge

CAPITAL OUTLAY EG INCREASE LF EX See Note

Provides relative to the capital outlay process. (7/1/24)

Proposed law requires nonstate entities that are receiving funding for construction of a new project through the Capital Outlay Act to establish, fund, and maintain an escrow account to be used exclusively for costs associated with the long-term major capital maintenance of the project; requires the escrow account be a condition of the cooperative endeavor agreement between the nonstate entity and the Office of Facility Planning and Control; provides that nonstate entities shall maintain the escrow account until the project is disposed of by the nonstate entities or thirty years have passed, or after the balance reaches the minimum requirement and all funds are expended on long term maintenance; provides for the funding requirements of the escrow account; and provides that if the nonstate entity fails to establish, fund, and maintain an escrow account then: (1) the project is deemed not feasible by the Office of Facility Control and Planning; (2) the project and future project submitted by the nonstate entity shall not be included in the Capital Outlay Act; and (3) an audit finding of noncompliance by the Legislative Auditor. Proposed law provides for exemptions for certain projects and requires the Division of Administration to promulgate rules for implementation of proposed law.

EXPENDITURES	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	**INCREASE**	**INCREASE**	**INCREASE**	**INCREASE**	**INCREASE**	
Annual Total						

REVENUES	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

EXPENDITURE EXPLANATION

Proposed law may result in a significant increase in local funds for nonstate entities to establish, fund, and maintain escrow accounts. Under current law, nonstate entities are required to provide evidence of their ability to provide at least 3% of the total requested amount of funding to be used for long-term maintenance of the project. Proposed law instead requires nonstate entities that receive capital outlay funding for construction of a new project to establish, fund, and maintain escrow account to be used for long-term maintenance of the project. The escrow account is required to be a separate interest baring account containing at least 3% of the total project costs. Nonstate entities are required to deposit an additional 0.5% each year thereafter until the balance reaches a minimum of 10% of the total project costs.

If nonstate entities were not setting aside and/or funding long-term maintenance of projects previously, then they are likely to experience a significant increase in expenditures to fund the escrow accounts, thereby obligating funds for long-term maintenance. It is not possible to discern the burden of proposed law on nonstate entities. Any impact is likely to be situational based on the total costs of the project, the number of project each nonstate entity has, and the workload increase necessary for entities to establish and maintain each account. To the extent nonstate entities are able to set aside funds, then the increase in expenditures may not be realized.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

Senate — Dual Referral Rules

[x] 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}

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