

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **HB 158** HLS 051ES 291
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Sub. Bill For.:
 Proposed Amd.:

Date: November 17, 2005 9:25 AM	Author: ALARIO
Dept./Agy.: Treasury Bond Commission	
Subject: Bonds for La. Disaster Assistance Program Act	Analyst: Evelyn McWilliams

BONDS/STATE EG SEE FISC NOTE GF EX See Note Page 1 of 1

Excludes from net state tax supported debt certain bonds or notes issued by the state to provide relief from the natural catastrophe caused by Hurricanes Katrina and Rita (Item #29)
 Excludes from net state tax supported debt bonds or notes issued by the state to provide relief from the natural catastrophe caused by Hurricanes Katrina and Rita.
 The proposed legislation becomes effective if and when the Act which originated as House Bill No. 157 of this 2005 First Extraordinary Session is enacted and becomes effective.

EXPENDITURES	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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

REVENUES	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>5 -YEAR TOTAL</u>
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

There is no direct implementation costs as this bill simply requires the exclusion of debt issued under the La. Disaster Assistance Program Act from the definition of net state tax supported debt.

The provisions of the bill would remove these bonds from consideration of the net state debt supported cap provisions of R.S. 39:1367 et seq. While this will satisfy any debt cap restrictions on the state level these bonds will be considered within the debt capacity analysis performed by the various rating agencies and insurers. The costs to the state will be in the form of a rating assignment and/or the market assessment or value of a market rating of this state to other states of similar rating. Depending on the comparative utilized, this could range from 2 to 20 basis points or more. Basis points are used to determine the interest rate. (E.G. 100 basis points equals 1% increase in the interest rate.)

In addition, with the exception of those proceeds that would be used for capital outlay activity, the issuances would have to be done on a taxable basis and therefore will incur a cost substantially higher than that experienced on normal state General Obligation Issues. These costs are directly reflected in the debt service costs and are reflected as a cost of the Bond Security and Redemption Fund and not of the State Bond Commission.

REVENUE EXPLANATION

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

Senate Dual Referral Rules

13.5.1 >= \$500,000 Annual Fiscal Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

House

6.8(F) >= \$500,000 Annual Fiscal Cost

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

Robert E. Hosse
LFO Staff Director