DIGEST

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Leger HB No. 431

**Abstract:** Makes uniform various provisions of Title 39 affecting bonds issued by political subdivisions.

Present law provides that bonds issued by a political subdivision shall mature no longer than 40 years from their date of issuance and are due and payable in annual installments beginning not more than three years after the date of issuance.

Proposed law retains present law but changes the date from which the bonds may start maturing from not longer than three years from their date of issuance to not longer than five years from their date of issuance.

Present law provides that sales tax bonds shall be authorized and issued by resolution of the governing authority and shall be of such series, bear such date or dates, and mature at such time or times beginning not more than three years after the date of the bonds and ending not later than 25 years after the date of issuance, and bear interest at such rate or rates payable at such times, be in such denomination, be in such form, either coupon or fully registered without coupons, carry such registration and exchangeability privileges, be payable in such medium and at such place or places within or without the state, be subject to such terms of redemption, be entitled to such priorities on the sales tax revenues and be sold upon such terms provided for in the issuing resolution. Such bonds shall be executed in the name of the local governmental subdivision or school board by the manual or facsimile signatures of such official or officials of the local governmental subdivision or school board as designated by the governing authority in said resolution authorizing their issuance. At least one signature on each bond shall be a manual signature and the seal, or a facsimile thereof, of such local governmental subdivision or school board shall be affixed, imprinted, engraved or otherwise reproduced upon each bond. The delivery of any bonds or coupons so executed at any time thereafter shall be valid, although before the date of delivery, any person or persons signing the bonds or coupons shall cease to hold office. The maturities of the bonds shall be so arranged that the total amount of principal and interest falling due in any year, together with principal and interest falling due in such year on all bonds outstanding, shall never exceed 75% of the amount of sales tax revenues estimated by the governing authority to be received by it in the calendar year in which the bonds are issued.

Proposed law retains present law but changes the maximum maturity from 25 years to 35 years and removes the three-year limit from the which the bonds start maturing.

Present law provides that the resolution authorizing the issuance of sales tax bonds shall be recorded in the mortgage records of the parish in which the issuer is located and shall be published in one issue of the official journal of the governing authority, or if there is none, in a newspaper having general circulation in the parish. For a period of 30 days from the publication of the resolution, any interested person may contest the legality of the ordinance or resolution and of any provisions made for the security and payment of the bonds. After that time no one shall have any cause or right of action to contest the legality, formality, regularity, or effectiveness of the ordinance or resolution and its provisions. After the 30 days from publication it shall be conclusively presumed that every legal requirement for the issuance of the bonds, including all things pertaining to the election at which the bonds are authorized, has been complied with and no court shall have authority to inquire into any of these matters.

Proposed law retains present law but deletes the requirement of recording the authorizing resolution in the mortgage records of the parish.

Present law authorizes political subdivisions to anticipate revenues to be realized from special ad valorem taxes voted pursuant to provisions of the constitution and statutes of the state of La. by borrowing money to be used only for the purpose for which such a tax was voted. The political subdivision may not anticipate such revenues for more than 10 years or the remaining number of years for which the tax is authorized to be levied, whichever is less. Such borrowing shall be evidenced by certificates of indebtedness of the political subdivision to be payable solely from and secured by an irrevocable pledge and dedication of the revenues of such tax.

Proposed law retains present law and changes the maturity date from 10 years or the remaining number of years for which the tax is authorized to be levied to not longer than March 1 of the year following the expiration of the special ad valorem tax.

Present law further provides that the principal of the certificates of indebtedness issued shall mature annually not later than March 1 of each future year in which principal falls due; provided that such certificates of indebtedness shall mature within 10 years from the date of their issuance but not later than March 1 on the year following the last year in which the tax securing the borrowing is authorized to be levied.

Proposed law retains present law and removes the 10-year maturity limit.

Present law provides that parishes and municipalities, the parish of Orleans and the city of New Orleans excepted, in order to pay their current expenses for any year, may anticipate the revenues for such year and they may borrow money to pay such expense and issue negotiable certificates of indebtedness to cover the loan.

Proposed law clarifies the language in present law to provide borrowing authority to any local political subdivision with the exception of school boards and law enforcement districts which have borrowing authority under separate law.

Present law provides that the amount borrowed by any parish or municipality shall not exceed the estimated income of the parish or municipality as shown by the current adopted budget, and the tax income collected as shown by the budget shall be dedicated and set aside to the payment of the certificates of indebtedness as they mature.

Proposed law retains present law but changes "parish or municipality" to "entity".

Present law provides that certificates of indebtedness shall mature not later than March 1 of the year following that in which they are issued and shall be issued in such manner and in such form as the governing authorities or the municipalities may determine, and when issued for any expense as estimated, shall be legal and valid obligations of the parish or municipality issuing them.

Proposed law retains present law but changes "parish or municipality" to "entity".

Present law provides an 8% per annum maximum interest rate on certificates of indebtedness issued by parishes and a 6% per annum maximum interest rate on certificates of indebtedness issued by municipalities.

Proposed law deletes the maximum interest rates.

Present law provides that where the constitution does not require authorization to incur debt and issue bonds by a vote of the qualified electors in a political subdivision as a prerequisite to the issuance of bonds, notes, or certificates of indebtedness, no political subdivision shall issue the bonds, notes, or certificates of indebtedness until the governing authority of the political subdivision has adopted an appropriate resolution giving notice of its intention to issue the bonds, notes, or certificates of indebtedness, including a general description and the security, and the notice has been published once a week for four consecutive weeks in a newspaper of general circulation published in the political subdivision or in the parish where the political subdivision is located, setting forth the public hearing information to hear any objections to the proposed issuance of the bonds, notes, or certificates of indebtedness.

Present law provides that the State Bond Commission shall approve the contents of such notice of intention prior to the issuance of such bonds, notes, or certificates of indebtedness; however, if at the hearing by petition signed by at least 5% of the voters residing in the political subdivision who voted at the last special or general election there is objection to the issuance of the proposed bonds, notes, or certificates of indebtedness, then the bonds, notes, or certificates of indebtedness shall not be issued until approved by a vote of a majority of the qualified voters of the political subdivision who vote at a special election held for that purpose in the manner provided by the Election Code for the conduct of such elections. Any such petition shall be accompanied by the certificate of the parish registrar of voters certifying that the signers of the petition are registered voters of the political subdivision and the number of signers amount to not less than 5% of the registered voters that voted in the last such general or special election in the political subdivision.

Proposed law retains present law but removes the requirement for State Bond Commission approval of the contents of the notice of intention.

Present law provides that bonds and other debt obligations may be issued by a political subdivision, except school boards, for such purposes and in such amount or amounts as the political subdivision may determine. Such bonds or other debt obligations shall be authorized by a resolution of the board and shall be of such series, bear such date or dates, mature at such time or times not exceeding 25 years from their respective dates, bear interest, payable semiannually or annually, be in such denominations, be in such form, either coupon or fully registered without coupons, carry such registration and exchangeability privilege, be payable in such median or payment and at such place or places, be subject to such terms of redemption, not exceeding 105% of the principal amount thereof, and be entitled to such priority on the revenues from the revenue producing work of public improvement as such resolution or resolutions may provide.

Proposed law retains present law but removes the 25-year limitation regarding the maturity of the bonds or debt obligations.

Present law provides that bonds or other debt obligation shall not be issued until the governing authority of the political subdivision has adopted an appropriate resolution giving notice of its intention to issue such bonds or other debt obligations, including a general description and the security, and the notice has been published in four consecutive weekly issues of a newspaper of general circulation published in the political subdivision or in the parish where it is located, setting forth the public hearing information to hear any objections to the proposed issuance of the bonds or other obligations, provided, however, if at such hearing a petition signed by electors of the political subdivision in a number not less than 5% of the number of such electors voting at the last special or general election object to the issuance of the proposed bonds or other debt obligations, then the bonds or other debt obligations shall not be issued until approved by a vote of a majority of the qualified electors of the political subdivision who vote at a special election held for the purpose in the manner provided by Part II, Chapter 4, of Title 39 of the Louisiana Revised Statutes of 1950. Any such petition shall be accompanied by a certificate of the parish registrar of voters certifying that the signers of the petition are registered electors of the political subdivision and the number of signers amount to not less than 5% of the registered electors that voted in the last tax election in the political subdivision. Prior to the publication of the notice of intention the State Bond Commission shall approve the contents of the proposed notice of intention and the question of the issuance of the bonds shall receive prior written approval.

Present law provides that for a period of 30 days after the date of each publication any interested person in interest shall have the right to contest the legality of the resolution and of the bonds or other debt obligations to be issued and of the security for such bonds or other debt obligations and the franchise granted to the purchaser or purchasers at any sale held for the enforcement of such securities. After the 30 days from publication no one shall have any right of action to contest the validity of the bonds or other debt obligations, pledges, or franchises, and all such bonds or other debt obligations, securities, and franchises shall be conclusively presumed to be legal, and no court shall have authority to inquire into such matters.

Present law provides an exception to the requirement for approval of a notice of intention to issue bonds when the indebtedness represents a loan to a political subdivision from the Drinking Water

Revolving Loan Fund or the Clean Water State Revolving Fund.

Proposed law removes the exception which is no longer necessary due to proposed law. Proposed law clarifies the publication of the minutes of the public hearing and the contesting of the legality of the notice and authorization of the bonds.

Present law provides that "revenue bonds" shall mean bonds or other debt obligations payable from and secured solely by a pledge of the income and revenues derived or to be derived from fees, rates, rentals, tolls, charges, grants, or other receipts, income or revenues derived from any properties or facilities belonging to a public entity or the use thereof.

Proposed law expands the definition of present law to include securities that are secured by sales tax revenues.

Present law provides that notwithstanding any other requirement of law to the contrary, in every case where securities of public entities are required by law to be sold at public sale upon sealed bids after advertisement, the notice calling for bids shall be published in accordance with certain requirements. A general notice of the sale of the securities containing the maximum amount of securities to be offered, the source of payment, and such other details as the governing authority of the issuer deems appropriate shall be published one time at least seven clear calendar days before the date scheduled for the receipt of bids for the securities in a newspaper of general circulation published in the parish where the public entity issuing the securities is located or has its domicile. Another notice containing the definitive amount of securities to be sold and other bidding details as may be deemed appropriate by the governing authority of the issuing entity shall be published at least 48 hours in advance of the date scheduled for receipt of bids for the securities one time in either a newspaper of general circulation or a financial journal or newspaper containing a section devoted to municipal bond news published in either of the cities of New Orleans, La., or New York, NY.

Proposed law retains present law but provides for the advertising of securities of public entities that are allowed by law.

Present law provides that notwithstanding the provisions of any other law relating to the issuance of general obligation bonds by political subdivisions or the issuance by political subdivisions of any other bonds or indebtedness secured by ad valorem taxes, all such general obligation bonds or other such bonds or indebtedness may be sold at public sale or may be sold at private sale in the manner determined by the governing authority of the issuer; provided the issuance of any such bonds or indebtedness is approved by the State Bond Commission, and in the case of a private sale, is approved by 2/3 of the members present and voting of the State Bond Commission.

Proposed law retains present law but removes the 2/3 vote requirement by the State Bond Commission of bonds issued at private sale.

Proposed law adds the provision that notwithstanding any provisions of law to the contrary, all securities issued by any public entity and the income therefore shall be exempt from all taxation by the state or any political subdivision thereof.

Present law provides that notwithstanding any limitations set forth in any other law relating to the issuance of securities by public entities, all securities may be sold at such price or prices as may be determined by the governing authority of the issuer of such securities provided the issuance of the securities is approved by the State Bond Commission.

Proposed law retains present law but adds that the proceeds derived from the sale of such securities shall be used in the manner as may be determined by the governing authority of the issuer of such securities.

Proposed law repeals provisions related to the the registration of bonds and the legend endorsed on the bonds by the secretary of state, which are already covered in present law (Chapter 13-A of the La. Revised Statutes of 1950).

Proposed law repeals provisions for the registration of bonds by the secretary of state, the registration by owners of bonds, the bond register book and the transfer of registered bonds, which are already covered in present law (Chapter 13-A of the La. Revised Statutes of 1950).

(Amends R.S. 39:563, 698.4, 698.13, 742.2(A) and (C)(1), 745, 746, 747, 824(B), 1012, 1022, 1421(4), 1426(A) and (D), and 1428(B); Adds R.S. 39:1426.1; Repeals R.S. 39:698.9 and 911-914)

Summary of Amendments Adopted by House

Committee Amendments Proposed by House Committee on Ways and Means to the original bill.

1. Changed the date from which the bonds may start maturing from not longer than three years from their date of issuance to not longer than five years from their date of issuance.