

Regular Session, 2014

HOUSE BILL NO. 640

BY REPRESENTATIVES FANNIN AND LAMBERT

BONDS: Provides with respect to grant anticipation revenue bonds

1 AN ACT

2 To amend and reenact R.S. 48:27(D)(1)(a), (2)(a), (E), (F), (G), and (H)(1) and (12), relative
3 to grant anticipation revenue bonds; to provide with respect to the issuance of bonds;
4 to provide with respect to federal transportation funds; to provide with respect to
5 duties of the state treasurer; to provide with respect to state matching funds; to
6 provide with respect to the enhancement of the bonds; to provide with respect to
7 instances when such bonds are included in state debt; and to provide for related
8 matters.

9 Section. 1. R.S. 48:27(D)(1)(a), (2)(a), (E), (F), (G), and (H)(1) and (12) are hereby
10 amended and reenacted to read as follows:

11 §27. Grant Anticipation Revenue Vehicles

12 * * *

13 D. Power to issue bonds; repayment; principal amount of bonds.

14 * * *

15 (1)(a) The State Bond Commission, or its successor, on behalf of the state,
16 is hereby authorized to issue bonds for the purpose of financing any qualified
17 federal-aid transportation project or state transportation project secured by a pledge
18 of and payable from any of the following:

19 (i) ~~Federal transportation funds and state~~ State matching funds, if any, that
20 are appropriated on an annual basis for such purpose by the state.

1 F. Financial obligations subject to appropriation. Any bond issued in
2 accordance with this Section shall constitute a contract between the state of
3 Louisiana and the owner or holder thereof. In no event shall any decision by the
4 state not to appropriate; ~~state matching funds, or federal transportation funds~~ in any
5 given fiscal year for the payment of such bonds or any costs associated with the
6 issuance and administration for such bonds be construed to constitute an action
7 impairing such contract. Every contract entered into by the State Bond Commission
8 pursuant to the provisions of this Section shall provide that all ~~financial state~~
9 matching fund obligations of the state under such contracts are subject to
10 appropriation on an annual basis by the state and that such contracts do not constitute
11 or create debt of the state, within the meaning of any constitutional or statutory
12 provisions whatsoever, and neither the full faith or credit nor the taxing power of the
13 state is pledged to the payment of the principal of, premium, if any, or the interest
14 on the bonds. In addition, bonds issued by the State Bond Commission on behalf of
15 the state pursuant to the provisions of this Section and every contract relating to the
16 issuance of such bonds shall provide that all financial obligations of the state in
17 regard to the portion of the principal of and interest on such bonds and the costs
18 associated with the issuance and administration of such bonds that may be paid from
19 federal transportation funds pursuant to federal law and any agreement between the
20 United States Department of Transportation and the department are subject to
21 continuing federal appropriations of federal transportation funds at a level equal to
22 or greater than the amount needed to pay the federal share of principal, interest, and
23 costs on the bonds.

24 G. Pledges. Any pledge made by the State Bond Commission pursuant to
25 this Section shall be valid and binding from the time the pledge is made. The
26 revenues, securities, and other monies so pledged and then held or thereafter received
27 by the ~~State Bond Commission~~ state or any fiduciary shall immediately be subject
28 to the lien of such pledge without any physical delivery thereof or further act, and the
29 lien of any such pledge shall be valid and binding as against all parties having claims

1 of any kind in tort, contract, or otherwise against the State Bond Commission
2 whether or not such parties have notice thereof. Neither the resolution nor any trust
3 agreement by which a pledge is created need be filed or recorded except in the
4 official minutes of the State Bond Commission.

5 H.(1) Certain details of the bonds. Notwithstanding any provision of law to
6 the contrary, the bonds shall be of such series, bear such date or dates, be serial or
7 term bonds, mature at such time or times no later than thirty years from their date,
8 bear interest at such fixed, variable, or adjustable rate or rates payable on such date
9 or dates, be in such denomination, be in such form, carry such registration and
10 exchangeability provisions, be payable in such medium of payment and at such place
11 or places, be subject to such terms of redemption, and be entitled to such priorities
12 on the amounts pledged to secure the bonds as the resolution or trust agreement
13 authorizing or securing such bonds may provide. The bonds may be additionally
14 secured by municipal bond insurance, bank guarantees, surety bonds, letters of
15 credit, lines of credit, or other devices to enhance the credit quality of the bonds, or
16 any combination thereof, as the State Bond Commission determines. ~~In addition,~~
17 ~~derivative products, including interest rate exchange agreements and other interest~~
18 ~~rate hedge agreements, may be used to either enhance the marketability of the bonds~~
19 ~~or to minimize interest rate risks, or both.~~

20 * * *

21 (12) Complete authority. This Section does and shall be construed to
22 provide a complete method for the doing of the things authorized hereby. No
23 proceedings, notice, or approval shall be required for the issuance of any bonds or
24 of any instruments or security therefor or any credit enhancement except as provided
25 herein and the bonds issued hereunder are not included in the calculation of net state
26 tax supported debt as defined in R.S. 39:1367 unless such bonds are served by a state
27 appropriation as set forth in a cooperative endeavor agreement. The provisions of
28 this Act shall be liberally construed for the accomplishment of its purposes.

29 * * *

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

Fannin

HB No. 640

Abstract: Provides with respect to grant anticipation revenue vehicles.

Present law provides that the State Bond Commission, or its successor, on behalf of the state, is authorized to issue revenue anticipation bonds for the purpose of financing any qualified federal-aid transportation project or state transportation project secured by a pledge of federal transportation funds, state appropriated matching funds, proceeds of such bonds, earnings from the investment of such bond proceeds and other revenues, funds or other security, pledge or appropriated under state law.

Proposed law retains present law and provides that security for the bonds by federal transportation funds are maintained in a separate identifiable fund or account outside of the state treasury.

Present law provides that the federal share of the principal, interest, and costs associated with the issuance and administration of revenue anticipation bonds shall be paid from federal transportation funds that have been annually appropriated by the legislature.

Proposed law deletes the provision that the federal transportation funds shall be annually appropriated.

Proposed law further provides for the establishment of a special fund, administered by a trustee as designated by the State Bond Commission, for the purpose of providing for the securitization of any bonds and the servicing of such bonds as may be provided in any instrument pursuant to which such bonds were issued. The source of monies for the fund shall be the federal transportation funds. Federal transportation funds, up to the amount necessary to service the bonds, shall be set aside in a separate identifiable fund or account outside of the state treasury but maintained by the state treasury and such revenues shall be assigned and pledged to the trustee under the bond documents for the benefit of the holders of the bonds. Only after satisfaction of all requirements of R.S. 48:27(D)(2)(a) shall any federal transportation funds received by the state be available for any other purposes.

Present law provides that the State Bond Commission shall authorize the bonds by an adopted resolution provided that the issuance of such bonds and projects to be funded by them have been previously approved by the Joint Committee on Transportation, Highways and Public Works. The bonds issued may also be secured by a trust agreement by and between the State Bond Commission and one or more corporate trustees or fiscal agents. Such resolution or trust agreement may provide that the trustee bank shall hold the proceeds of the bond pending expenditure for projects as approved by the JLCB. Present law provides for publication and notice requirements and preemption.

Proposed law retains present law and provides that the state treasurer may enter into a collection agreement with the trustee to provide for the collections of the federal transportation funds.

Present law provides that any bonds issued in accordance with present law shall constitute a contract between the state of La. and the bond holders and that non-appropriation of state matching funds or federal transportation funds in any given fiscal year for the servicing of such bonds shall not constitute an action impairing such contract.

Proposed law retains present law but exempts federal transportation funds from annual state appropriation and provides that financial obligations of the state under contracts with the bond holders are subject to annual appropriation as to state matching funds.

Proposed law changes the fiduciary responsibility from the State Bond Commission to the state.

Present law provides for details of the bonds that can be issued and provides that derivative products from acceptable credit enhancement devices may be used to enhance marketability of the bonds. Present law lists acceptable credit enhancement devices.

Proposed law deletes present law.

Proposed law provides that the bonds are not included in the calculation of net state tax supported debt as defined in R.S. 39:1367 unless such bonds are served by a state appropriation as set forth in a cooperative endeavor agreement.

(Amends R.S. 48:27(D)(1)(a), (2)(a), (E), (F), (G), and (H)(1) and (12))