

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **HB 756** HLS 15RS 1094
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 3, 2015 4:40 PM	Author: OURSO
Dept./Agy.: DOTD/State Treasury/Bond Commission	Analyst: Alan M. Boxberger
Subject: Provides relative to GARVEE Bonds	

TRANSPORTATION RE SEE FISC NOTE SD EX See Note Page 1 of 2
 Provides relative to Grant Anticipation Revenue Vehicles (GARVEE) Bonds

Present law authorizes the State Bond Commission to issue Grant Anticipation Revenue Vehicles (GARVEE Bonds); defines state transportation project; provides for the pledge of certain federal highway funds received by the state as security for the bonds; provides that such bonds shall be issued by the State Bond Commission but only after the issuance has been approved by the Joint Committee on Transportation, Highways and Public Works; and provides that the aggregate amount of principal and interest on all bonds issued under this authority shall not exceed 10% of annual federal highway funds. The Joint Legislative Committee on the Budget also approves expenditures of the proceeds held by trustee banks. **Proposed law** amends the definition of state transportation project and specifies that it shall include, but not be limited to, a new bridge across the Mississippi River connecting La Highway 1 to La Highway 30; requires that federal transportation funds be maintained in a separate identifiable fund outside of the state treasury and administered by a trustee to be used for securitization of any bonds issued; authorizes the treasurer to enter into a collection agreement with trustee; eliminates the use of derivative products; provides that bonds issued shall not be included in the calculation of net state tax supported debt unless provided through state appropriated funds; and makes technical corrections.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

Proposed law amends current statute relative to Grant Anticipation Revenue Vehicles (GARVEE) Bonds, changing several definitions and inserting provisions to include "a new bridge across the Mississippi River connecting La Hwy 1 to La Hwy 30" in projects considered eligible for financing with GARVEE Bonds. Proposed law redefines a qualified federal-aid transportation project from any state project financed in whole or part with federal transportation funds within the TTF, to any project to be constructed in whole or part with monies appropriated from the TTF and removing reference to federal transportation funds. DOTD reports that the proposed law potentially creates a conflict between projects the state identifies for GARVEE financing and projects that the Federal Highway Administration (FHWA) would consider to be eligible for such financing. GARVEE Bond funded projects currently must meet federal eligibility requirements as defined by the FHWA because the bonds are issued using the pledge of future federal aid funding allocations.

Proposed law authorizes the State Bond Commission to issue GARVEE bonds for projects fitting certain criteria. Any bonds issued under proposed law would result in issuance costs and annual debt service payments in an amount depending upon the issuance size, number of series issued, structure and current market conditions. While issuance costs can be covered by bond proceeds, instruments issued as per proposed law would result in certain annual costs until the bonds mature, such as Trustee/Paying Agency Fees (estimated at \$10,000 annually), administrative costs of the State Bond Commission, and potential costs and/or penalties incurred in periodic arbitrage calculations pursuant to Section 148(f) of the Internal Revenue Code. Ongoing expenditures would be paid either from federal transportation funds, if allowable under federal law, or the State Bond Commission's self-generated revenues. DOTD currently receives approximately \$600M annually for operating and capital expenditures. Approximately 10% of this amount (\$60M) could be used for debt service, which would generate approximately \$500M for a 10-15 year bond.

Proposed law purports to provide that bonds issued shall not be included in the calculation of net state tax supported debt unless the bonds are served by a state appropriation as set forth in a cooperative endeavor agreement. The capacity for new state tax supported debt is limited under current capacity constraints.

CONTINUED ON PAGE 2

REVENUE EXPLANATION

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

Senate	<u>Dual Referral Rules</u>	House	<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	<i>Evan Brasseaux</i> Evan Brasseaux Staff Director
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S}		
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}		

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CONTINUED EXPLANATION from page one:

Page 2 of 2

EXPENDITURE EXPLANATION CONTINUED FROM PAGE 1

NOTE: Typically with GARVEE instruments, the state transportation department enters into an agreement with the Federal Highway Administration to provide for the flow of cash associated with debt and interest payments against GARVEE bond obligations. Within these agreements, the state transportation department will encumber the full debt service payments for the GARVEE bonds within the first week of the federal fiscal year, whereupon the FHWA will wire the cash to the state for use in making those payments. The U.S. Congress frequently provides funding for the federal transportation program through the use of continuing resolutions, which may be for as long as one year but as little as a period of months. To the extent that any GARVEE instrument may require encumbering a portion of the annual allocation within the first week of the fiscal year, the department may experience limitations within its ability to provide for its regular operating and capital outlay expenditures that utilize federal reimbursement. For example, if Congress provides for a two-month continuing resolution of the federal transportation program, DOTD would only have authority to draw down approximately 16.67% of its annual allocation during the period of the resolution. The department could potentially be required to utilize up to 10% of its annual allocation to service debt service requirements associated with any existing GARVEE bonds, limiting the availability of federal funds for other purposes until the next continuing resolution or transportation bill were passed by Congress.

Senate

Dual Referral Rules

House

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

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

Evan Brasseaux

Evan Brasseaux
Staff Director