LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 122** HLS 18RS 417
Bill Text Version: **REENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 2, 2018 10:35 AM
Author: DEVILLIER
Dept./Agy.: Executive / DOA Office of Facility Planning & Control
Subject: Capital Outlay
Analyst: Willie Marie Scott

CAPITAL OUTLAY RE DECREASE GF EX See Note
Provides relative to capital outlay reform.

The proposed legislation reduces the present law limitation of general obligation (GO) bond cash line of credit capacity from $200 M annually adjusted for construction inflation from 1994 to $300 M in FY 20, $275 M in FY 21, $250 M in FY 22, and $225 M in FY 23 and beyond. Prohibits nongovernmental entities from being eligible for capital outlay funding; and requires the reporting of the Net State Tax Supported Debt and the estimate of GO debt service for the new cash line of credit capacity. It further requires the Commissioner of Administration (COA) to divide 10% of the cash line of credit capacity granted to nonstate projects among the parishes on a pro rata basis of population and number of homesteads throughout the state; and designate the remaining 15% of nonstate projects for highway and bridge projects, flood control and prevention projects, or economic development projects. Of the cash line of credit granted to state projects, no less than $3 M shall be designated to deferred maintenance or drainage projects within the geographic boundaries of each DOTD district; and no less than 50% shall be designated for highway and bridge projects. **(Cont. on Page 2)**

EXPENDITURES	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	$0	$0	DECREASE	DECREASE	**$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**

REVENUES	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	$0	$0	DECREASE	DECREASE	**$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**

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure due to changes in the procedure by which state and nonstate entity projects are considered for lines of credit by the SBC. The lines of credit for nonstate entity projects are currently limited to no more than 25% of the cash line of credit for projects, therefore the same total amount will be appropriated for nonstate entity projects. Enactment of the proposed legislation may impact how the total lines of credit for state and nonstate entity projects are allocated on a per project basis.

The legislation reduces the annual cash line of credit to $300 M in FY 20, $275 M in FY 21, $250 M in FY 22, and $225 M in FY 23 and beyond, resulting in an indeterminable reduction in the number of projects, capital outlay spending, and annual debt service costs. According to the DOA Office of Facility Planning & Control (OFPC), capital outlay project expenditures as well as its expenditures to administer capital outlay projects are generally funded with GO bonds.

Note: The current cash line of credit limit is $385 M in FY 18; and the projected cash line of credit limit is $390 M in FY 19.

REVENUE EXPLANATION

Historically, OFPC has been able to absorb increased workloads without increasing its budget, utilizing a 6% administration fee charged against GO bonding amounts. To the extent the reductions in the cash lines of credit required by this bill result in reductions in GO bonding (typically approximately 50% - 53%), OFPC estimates a potential funding loss of $250,000 in FY 22 and $1.18 M in FY 23 relative to its approximate $8 M per year of administrative costs. Funding losses of those magnitudes in the out-years would most likely require replacement resources to provide the same level of service.

Senate Dual Referral Rules
- [ ] 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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CONTINUED EXPLANATION from page one:

The bill requires the COA to make recommendations to the House Committee on Ways & Means and the Senate Committee on Revenue & Fiscal Affairs concerning state and nonstate entity projects to be granted lines of credit; and to submit the list of recommendations to the the House Committee on Ways & Means and the Senate Committee on Revenue & Fiscal Affairs no less than 30 days prior to the meeting date of the State Bond Commission (SBC). Only projects which received approval from the House Committee on Ways & Means and the Senate Committee on Revenue & Fiscal Affairs can be submitted to the SBC for consideration of lines of credit; and for each project presented to the SBC shall include an estimate of debt service costs associate with the sale of debt for the total project cost.

Senate Dual Referral Rules

- [ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}
- [ ] 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}

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- [ ] 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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