

DIGEST

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SB 426 Reengrossed

2018 Regular Session

LaFleur

The purpose of proposed law is to clarify, modernize, and make uniform the laws relating to the power of parishes, municipalities, school boards, school districts, and other political subdivision of the state to incur debt and to issue bonds and other evidences of indebtedness.

Proposed law retains present law.

Except as provided in proposed law relative to the application of proposed law to the city of New Orleans, any parish, municipality, school board, school district, or other political subdivision of the state, acting through its governing authority, is authorized to utilize proposed law.

Proposed law defines "bond", "costs of issuance", "credit enhancement", "financial products agreement", "governing authority", "governmental entity", "state", and "total assessed value" for purposes of proposed law.

Proposed law provides for the granting of a statutory lien and a security interest to the owners of any bonds issued pursuant to proposed law in such taxes, income, revenues, net revenues, monies, payments, receipts, agreements, contract rights, funds, or accounts as are pledged to the payment of the bonds. Proposed law provides that no other notice, filing, or other proceedings or provisions of law are required for the perfection or priority of such security interest.

Proposed law provides relative to the authorization, sale, execution, and registration of bonds.

Proposed law provides relative to the rights of bondholders, the validity of the bonds, and the applicability of general bond laws. Proposed law provides relative to preemption, notice of default, and the exemption from taxation of the interest on the bonds. Proposed law provides relative to the negotiability and incontestability of the bonds, the application of proceeds, and the validation of the bonds.

Proposed law provides relative to lost, destroyed, or cancelled bonds, the employment of counsel and fees, and the statutes which are not applicable to the bonds.

Proposed law provides relative to the authority and procedures for the issuance of general obligation bonds, limited tax bonds, sales tax bonds, revenue bonds, limited revenue bonds, excess revenue bonds, and certificates of indebtedness, revenue anticipation notes, bond anticipation notes, grant anticipation notes, assessment certificates, and refunding bonds.

Proposed law provides that the issuer, owner, or holder of any bond issued prior to July 1, 2018, is subject to the provisions of law under which the bond was originally issued.

CONCORDANCE TABLE

Unless otherwise indicated, the references in replacement columns below are to sections in Title 39 of the Revised Statutes of 1950. The replacement section may conform with, modify or change the existing section.

Present R.S. Title 17, Section 98.....	Proposed Replacement522
Former R.S. Title 39, Section 563-618.....	Proposed Replacement521

661-672.....
 681-697.....
 698.1-698.13.....523
 741-742.2, 743-748.....522, 527
 821-842.....524
 911-914.....
 931-934.....
 971-974.....515
 1011-1024.....527
 1410.26.....510
 1444-1456.....530
 1460.1-1460.2.....528
 1801-1811.....529

Sections 1 and 3 of proposed law are effective July 1, 2018; Section 2 of proposed law is effective July 1, 2021.

(Amends R.S. 39:562(C) and (D); adds R.S. 39:501-517 and 521-531; repeals R.S. 17:98, R.S. 39:563-578, 611-618, 661-672, 681-684, 691-697, 698.1-698.13, 741-742.2, 743-748, 821-842, 911-914, 931-934, 971-974,1011-1024, 1460.1,1460.2, and 1801-1811)

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Revenue and Fiscal Affairs to the original bill

1. Amends R.S. 39:562(C) and (D), relative to the debt limit of parishwide school districts and special school districts to conform to La. Supreme Court decision.
2. Deletes definition of "general alimony tax".
3. Clarifies that the statutory lien will give a security interest in the taxes, income, revenues, net revenues, monies, payments, receipts, agreements, contract rights, funds or accounts as are pledged to the payment of the bonds.
4. Clarifies that additional parity bonds may be issued in the future as specified in the bond documents or as may be agreed to by the owners of any series of bonds.
5. Changes who has to notify the State Bond Commission if a deposit to a sinking fund or a bond payment is not paid timely from the chief executive officer or the chief financial officer to any governmental entity.
6. Clarifies that the calculation of the principal amount of general obligation bonds which can be issued is based on the total assessed value of the governmental entity, as shown on the most recent assessment prior to the delivery of the bonds.
7. Prohibits a governmental entity from issuing limited tax bonds secured by revenues that exceed the remaining number of years for which the special ad valorem or limited tax is authorized to be levied.
8. Authorizes a municipality or a school board that receives a sales tax allocation from the parish to issue sales tax bonds.
9. Corrects the maximum percentage of revenues that the annual principal and interest payments shall not exceed from 75% to 80%.
10. Clarifies that necessary and usual charges shall not include depreciation for purposes of excess revenue bonds.

11. Adds R.S. 39:1410.62 to the list of statutes being repealed and makes the effective date of the repeal July 1, 2018. Changes date of repeal for all other statutes from January 1, 2019 to July 1, 2019.
12. Technical amendments.

Senate Floor Amendments to engrossed bill

1. Removes transitional provisions.
2. Changes date of repeal for statutes to July 1, 2021.
3. Provides that the issuer, owner, or holder of any bond issued prior to July 1, 2018, is subject to the provisions of law under which the bond was originally issued.
4. Requires an entity to notify the State Bond Commission when any required deposit to a debt service sinking fund or payment due on bonds has not been made within five business days of when due.
5. Authorizes school districts to issue revenue bonds.
6. Removes R.S. 39:1410.62 from the list of statutes being repealed.

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Ways and Means to the reengrossed bill:

1. Technical amendments.
2. Require that attorney fees and compensation be subject to approval by the attorney general.