

2018 Second Extraordinary Session

HOUSE BILL NO. 3

BY REPRESENTATIVE ABRAMSON

CAPITAL OUTLAY: Provides for the Omnibus Bond Act (Item #9)

1 AN ACT

2 To enact the Omnibus Bond Authorization Act of 2018, relative to the implementation of  
3 a five-year capital improvement program; to provide for the repeal of certain prior  
4 bond authorizations; to provide for new bond authorizations; to provide for  
5 authorization and sale of such bonds by the State Bond Commission; to provide for  
6 an effective date; and to provide for related matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. The legislature hereby recognizes that the Constitution of Louisiana  
9 provides in Article VII, Section 11, that the governor shall present to the legislature a five-  
10 year Capital Outlay Program and request implementation of the first year of such program,  
11 and that the capital outlay projects approved by the legislature are to be made part of the  
12 comprehensive state capital budget which shall, in turn, be adopted by the legislature.  
13 Further, all projects in such budget adopted by the legislature requiring bond funds must be  
14 authorized as provided in Article VII, Section 6 of the Constitution of Louisiana. The  
15 legislature finds that over a period of years the legislature has enacted numerous bond  
16 authorizations, but due to inflation and the requirements of specificity of amount for each  
17 project, impossibility, or impracticability, many of the projects cannot be undertaken. All  
18 of the unissued bonds must be listed in the financial statements of the state prepared from  
19 time to time and in connection with the marketing of bonds, and are taken into account by  
20 rating agencies, prospective purchasers, and investors in evaluating the investment quality

1 and credit worthiness of bonds being offered for sale. The continued carrying of the  
2 aforesaid unissued bonds on the financial statements of the state under the above described  
3 circumstances operates unnecessarily to the financial detriment of the state. Accordingly,  
4 the legislature deems it necessary and in the best financial interest of the state to repeal all  
5 Acts, except any Act authorizing the issuance of refunding bonds and Act 41 of the 2006  
6 First Extraordinary Session, providing for the issuance of general obligation bonds in the  
7 state which cannot be issued for the projects contemplated, and in their stead to reauthorize  
8 general obligation bonds of the state for those projects deemed to be essential, and to  
9 authorize new projects.

10 Section 2. It is the intent of the legislature that this Act shall constitute the Omnibus  
11 Bond Authorization Act of 2018 and, together with any Act authorizing the issuance of  
12 refunding bonds and Act 41 of the 2006 First Extraordinary Session, shall provide bond  
13 authorization, as required by Article VII, Section 6 of the Constitution of Louisiana, for  
14 those projects to be funded totally or partially by the sale of general obligation bonds and  
15 included in House Bill No. 2 of the 2018 Regular Session as finally enacted into law (2018  
16 Capital Outlay Act). It is the further intent of the legislature that in this year and each year  
17 hereafter an Omnibus Bond Authorization Act shall be enacted providing for the repeal of  
18 state general obligation bond authorizations for projects no longer found feasible or  
19 desirable, the reauthorization of those bonds not sold during the prior fiscal year for projects  
20 deemed to be of such priority as to warrant such reauthorization, and to enact new  
21 authorization for projects found to be needed for capital improvements.

22 Section 3. Except as hereinafter provided, all prior Acts of the legislature authorizing  
23 the issuance of general obligation bonds of the state of Louisiana shall be and the same are  
24 hereby repealed in their entirety, including without limitation House Bill No. 3 of the 2017  
25 Second Extraordinary Session of the Louisiana Legislature as finally enacted into law (2017  
26 Omnibus Bond Authorization Act) and any Acts heretofore repealed with such Act. This  
27 repeal shall not be applicable to any Act providing for the issuance of refunding bonds nor  
28 to Act 41 of the 2006 First Extraordinary Session, and such Acts shall remain in full force  
29 and effect and shall not be affected by the provisions of this Act. In addition, the repeal shall

1 not in any manner affect the validity of any bonds heretofore issued pursuant to any of the  
2 bond authorizations repealed hereby.

3 Section 4. To provide funds for certain capital improvement projects the State Bond  
4 Commission is hereby authorized pursuant to Article VII, Section 6 of the Constitution of  
5 Louisiana to issue general obligation bonds or other general obligations of the state for  
6 capital improvements for the projects, and subject to any terms and conditions set forth on  
7 the issuance of bonds or the expenditure of monies for each project as is provided for in the  
8 2018 Capital Outlay Act.

9 Section 5.(A) To provide funds for certain capital improvement projects authorized  
10 prior to this Act and by this Act, which projects are designed to provide for reimbursement  
11 of debt service on general obligation bonds, the State Bond Commission is hereby authorized  
12 pursuant to Article VII, Section 6 of the Constitution of Louisiana, to issue general  
13 obligation bonds of the state, hereinafter referred to as "project bonds", for capital  
14 improvements for the projects and subject to any terms and conditions set forth on the  
15 issuance of bonds or the expenditure of monies for each such project as provided in the 2018  
16 Capital Outlay Act the terms of which require such reimbursement of debt service.

17 (B) Without affecting, restricting, or limiting the pledge herein made of the full faith  
18 and credit of the state of Louisiana to the payment of the general obligation bonds authorized  
19 by this Section and without affecting, restricting, or limiting the obligation of the state to pay  
20 the same from monies pledged and dedicated to and paid into the Bond Security and  
21 Redemption Fund, but in order to decrease the possible financial burden on the general funds  
22 of the state resulting from this pledge and obligation, the applicable management board,  
23 governing body, or state agency for which any of such project bonds are issued, in the fiscal  
24 year in which such project bonds are issued and in each fiscal year thereafter until such  
25 project bonds and the interest thereon are paid, shall transfer and make available to the state  
26 treasury, for deposit in the Bond Security and Redemption Fund, designated student fees or  
27 revenues or other revenues in an amount equal to the debt service on such project bonds in  
28 such fiscal year. In addition, the applicable management board, governing body, or state  
29 agency, in the fiscal year in which such project bonds are issued and in each of the nine

1 immediately succeeding fiscal years thereafter, shall transfer and make available to the state  
2 treasury from designated student fees or revenues or other revenues, for credit to a  
3 reimbursement reserve account for such project bonds which shall be established in an  
4 account designated in the reimbursement contract hereafter provided for, monies in an  
5 amount equal to one-tenth of the average annual debt service on such project bonds, and  
6 each such reimbursement reserve account thereafter shall be maintained in said minimum  
7 amount by further transfers, if necessary, from designated student fees or revenues or other  
8 revenues by the applicable management board, governing body, or state agency to the state  
9 treasury. Each such reimbursement reserve account shall be used, if necessary, solely to  
10 make the reimbursement payments herein obligated to be made to the state treasury. When  
11 the general obligation bonds and the interest thereon issued hereunder have been paid, any  
12 amount remaining in the reimbursement reserve account, as prorated to such authorized  
13 project, shall be transferred by the state treasurer to the applicable management board,  
14 governing body, or state agency.

15 (C) No project bonds authorized by this Section shall be issued for any authorized  
16 project unless and until a reimbursement contract has been entered into and executed  
17 between the applicable management board, governing body, or state agency and the State  
18 Bond Commission pertaining to the reimbursement payment and reimbursement reserve  
19 account payments for such project. The contract shall require payment into the state treasury  
20 of designated student fees or revenues or other revenues in an amount sufficient to reimburse  
21 the cost to the state of the principal, interest, and premium, if any, obligated to be paid by  
22 the state on such project bonds. The State Bond Commission shall not be required to  
23 execute any such reimbursement contract unless the estimates and projections of the  
24 designated student fees or revenues or other revenues available for payment into the state  
25 treasury thereunder for the authorized projects are sufficient to reimburse the costs of the  
26 principal, interest, and premium, if any, on the project bonds. A reimbursement contract  
27 hereunder shall be authorized by resolution of the applicable management board, governing  
28 body, or state agency, or board or by act of the chief executive officer if no governing board  
29 exists.

1           This authorization shall provide for the dates, amounts, and other details for the  
2 payments required to be made to the state treasury and for the reserve account. The  
3 authorization may contain such covenants with the State Bond Commission regarding the  
4 fixing of rates for fees and charges or revenues and such other covenants and agreements  
5 with the State Bond Commission as will assure the required payments to the state treasury.  
6 The contract shall be subject to approval by the Office of the Attorney General and the State  
7 Bond Commission and, when so accepted and approved, shall conclusively constitute and  
8 be the reimbursement contract for an authorized project, as required hereunder.

9           (D) The obligation to make the reimbursement payments as required by a  
10 reimbursement contract may be represented by the issuance by the applicable management  
11 board, governing body, or state agency of its nonnegotiable revenue obligation in the form  
12 of a bond or other evidence of indebtedness, hereinafter referred to as "reimbursement  
13 bond". The reimbursement bond shall be issued in a single bond form, without coupons, in  
14 the principal amount equal to the aggregate principal amount of project bonds, shall be  
15 registered in principal and interest in the name of and be payable to the State Bond  
16 Commission, shall bear interest at a rate or rates equal to the interest rate or rates payable  
17 on the project bonds, and shall be payable as to principal and interest at such times, in such  
18 manner, from designated student fees or revenues, or other revenues, and be subject to such  
19 terms and conditions as shall be provided in the authorizing resolution or document executed  
20 by a chief executive officer, where applicable. This authorization shall be subject to  
21 approval by the State Bond Commission and the Office of the Attorney General, and when  
22 so accepted and approved, the authorization shall constitute and be the reimbursement  
23 contract for such authorized project, as required hereunder. The reimbursement bonds  
24 authorized under the provisions of this Section may be issued on a parity with outstanding  
25 reimbursement bonds of the applicable management board, governing body, or state agency,  
26 or issued on a subordinate lien basis to outstanding bonds, or a combination thereof, and may  
27 include and contain such covenants with the State Bond Commission for the security and  
28 payment of the reimbursement bonds and such other customary provisions and conditions  
29 for their issuance by the applicable management board, governing body, or state agency as

1 are authorized and provided for by general law and by this Section. Until project bonds for  
2 an authorized project have been paid, the applicable management board, governing body,  
3 or state agency shall impose fees and charges in an amount sufficient to comply with the  
4 covenants securing outstanding bonds and to make the payments required by the  
5 reimbursement contract.

6 (E) In addition to the other payments herein required, reimbursement contracts shall  
7 provide for the setting aside of sufficient student fees or revenues or other revenues in a  
8 reserve fund, so that within a period of not less than ten years from date of issuance of  
9 project bonds there shall be accumulated in a reserve fund monies equal to a sum not less  
10 than the average annual debt service requirements on such project bonds. Monies in the  
11 reserve fund shall be used for the purpose of remedying or preventing a default in making  
12 the required payments under a reimbursement contract. The reserve fund required  
13 hereunder may consist of a reserve fund heretofore or hereafter established to secure  
14 payments for reimbursement bonds of the applicable management board, governing body,  
15 or state agency, provided that (1) payments from said reserve fund to secure the payments  
16 required to be made under a reimbursement contract shall be on a parity with the payments  
17 to be made securing outstanding bonds and additional parity bonds and (2) no additional  
18 parity reimbursement bonds shall be issued except pursuant to the establishment and  
19 maintenance of an adequate reserve fund as approved by the State Bond Commission.

20 (F) When the balance of reimbursement bond proceeds, for a project, are allocated  
21 to another project, the State Bond Commission is authorized to make the appropriate  
22 amendment to the reimbursement contract with the agency making the reimbursement  
23 payments.

24 Section 6. The bonds authorized to be sold by the State Bond Commission pursuant  
25 to this Act shall be issued and sold in conformity with the provisions of Article VII, Section  
26 6 of the Louisiana Constitution, R.S. 39:1361 through R.S. 39:1367, and R.S. 39:1401  
27 through R.S. 39:1430.1, and any amendments thereto adopted prior to, at the same time as,  
28 or subsequent to, the effective date of this Act. However, the provisions of R.S. 39:1365(9)  
29 shall not apply to any bonds issued hereunder in the form of variable rate and/or tender

1 option bonds and that said bonds need not be issued in serial form and may mature in such  
2 year or years as may be specified by the State Bond Commission. Should any provision of  
3 this Act be inconsistent with any provision of the Louisiana Revised Statutes of 1950, the  
4 provision of this Act shall govern. In connection with the issuance of the bonds authorized  
5 hereby, the State Bond Commission may, without regard to any other laws of the state  
6 relating to the procurement of services, insurance, or facilities, enter into contracts upon such  
7 terms as it deems advantageous to the state for (1) the obtaining of credit enhancement or  
8 liquidity devices designed to improve the marketability of the bonds and (2) if the bonds are  
9 structured as variable rate and/or tender option bonds to provide the services and facilities  
10 required for or deemed appropriate by the State Bond Commission for such type of bonds,  
11 including those of tender agents, placement agents, indexing agents, remarketing agents,  
12 and/or standby bond purchase facilities. The cost of obtaining credit enhancement or  
13 liquidity devices and fees for other services set forth in this Section shall, if authorized by  
14 the State Bond Commission, be paid from the Bond Security and Redemption Fund as a  
15 requirement with respect to the issuance of the bonds authorized hereby. The bonds shall be  
16 general obligations of the state of Louisiana, to the payment of which, as to principal,  
17 premium, if any, and interest, as and when the same become due, the full faith and credit of  
18 the state is hereby irrevocably pledged. These bonds shall be secured by monies in the Bond  
19 Security and Redemption Fund and shall be payable on a parity with bonds and other  
20 obligations heretofore and hereafter issued which are secured by that fund. The maximum  
21 interest rate or rates on such bonds, and their maturities, shall be determined by the State  
22 Bond Commission. The state treasurer shall invest all bond proceeds until disbursed.

23 Section 7. Unless specifically repealed, this Act shall expire, and be considered null  
24 and void and of no further effect on June 30, 2019, except as to any bonds authorized herein  
25 (1) which have been sold, (2) to which lines of credit have been issued, or (3) for which  
26 contracts for construction have been signed.

27 Section 8. This Act shall become effective upon signature by the governor or, if not  
28 signed by the governor, upon expiration of the time for bills to become law without signature  
29 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If

1 vetoed by the governor and subsequently approved by the legislature, this Act shall become  
2 effective on the day following such approval.

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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)]

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HB 3 Original

2018 Second Extraordinary Session

Abramson

**Abstract:** Provides for the implementation of a five-year capital improvement program.

Provides for the implementation of a five-year capital improvement program; provides for the repeal of certain prior bond authorizations; provides for new bond authorizations; provides for authorization and sale of such bonds by the State Bond Commission; and provides for related matters.

Effective upon signature of governor or lapse of time for gubernatorial action.