



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 277** SLS 22RS 477
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 14, 2022 3:10 PM	Author: CORTEZ
Dept./Agy.: Transportation and Development, Treasury	
Subject: Creates the Megaprojects Leverage Fund	Analyst: Alan M. Boxberger

FUNDS/FUNDING OR SEE FISC NOTE SD EX Page 1 of 2
 Creates the the Megaprojects Leverage Fund. (gov.sig)

Present law provides that beginning in FY 24, 30% of the avails of the taxes from the sale, use, or lease of motor vehicles shall be deposited into the Construction Subfund of the TTF, increasing to 60% beginning in FY 25 and each fiscal year thereafter; provides that DOTD shall utilize up to 75% of the monies deposited into the subfund on certain enumerated mega projects; provides that if the Revenue Estimating Conference revises the official forecast resulting in a decrease of \$100 M or more from the official forecast of the beginning of the current year, the amount deposited into the subfund may not exceed \$150 M; and prohibits the issuance of total debt in excess of \$150 M per fiscal year that is secured by vehicle sales tax revenue deposited into the subfund.

Proposed law authorizes that relevant taxes shall also be deposited into the Megaprojects Leverage Fund; provides that in years where the REC trigger is met, the combined amount deposited into the Subfund and Leverage Fund may not exceed \$150 M; repeals the cap on the issuance of debt at \$150 M secured by monies in the subfund; creates the Megaprojects Leverage Fund and provides for deposits;

SUMMARY CONTINUED ON PAGE TWO

EXPENDITURES	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
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	2022-23	2023-24	2024-25	2025-26	2026-27	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	SEE BELOW	SEE BELOW	SEE BELOW	\$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

EXPENDITURE EXPLANATION

Proposed law creates the Megaprojects Leverage Fund in the state treasury and provides that the treasurer shall deposit into the Fund 75% of that portion of taxes from the sale, use or lease of motor vehicles that would be deposited into the Construction Subfund of the Transportation Trust Fund in accordance with LA R.S. 48:77(A)(2). Under **present law**, beginning in FY 25, the projected deposits corresponding to 60% of these total taxes into the Construction Subfund are \$325.1 M according to the REC estimate adopted on 1/11/22. **Proposed law** appears to divert \$243.8 M (75% of \$325.1) into the Megaprojects Leverage Fund, which is the same amount intended for megaprojects and cash managed capacity projects included in the highway priority program within the Construction Subfund under the provisions of LA R.S. 48:77(C). The amounts that would be deposited into the Megaprojects Leverage Fund will range from a floor of \$112.5 M (if experiencing the REC trigger due to a revised, lower SGF forecast of \$100 M or more) up to \$243.8 M in FY 25 and \$214.95 M in FY 26. The current REC forecast does not yet incorporate projections for FY 27. For purposes of this fiscal note, the LFO assumes a standstill amount equal to the FY 26 figure.

Proposed law allocates the proceeds of deposits into the Megaprojects Leverage Fund into four special accounts within the fund, with 25% deposited into each special account to provide funding for four enumerated megaprojects (see information on page two). **Proposed law** authorizes the state bond commission to issue motor vehicle sales and use tax bonds and pledge for the payment of principal and interest such portion of the motor vehicle sales and use tax as is to be deposited into the Megaprojects Leverage Fund pursuant to LA R.S. 48:77.1, provided, however, that the total amount of funds so pledged shall not exceed an aggregate amount of \$25 M per year from any special account.

Proposed law creates the Motor Vehicle Sales and Use Tax Bond Fund and appropriate subaccounts for the purpose of securitization of any bonds that may be issued. Monies in the Motor Vehicle Sales and Use Tax Bond Fund shall be applied to pay debt service and all related costs on bonds issued by the commission for these specific projects. At no time may payments from any individual account exceed \$25 M per year. **Proposed law** provides that bonds issued under this provision shall not be deemed to constitute a pledge of the full faith and credit of the state or any governmental unit thereof.

Proposed law directs an allocation of monies deposited into the Megaprojects Leverage Fund in equal amounts of 25% to each of four enumerated megaproject accounts. **Proposed law** would result in a deposit of \$60.95 M into each account in FY 25, and \$53.74 M in FY 26 and beyond. In any fiscal year in which the REC forecast trigger occurs the deposit would fall to \$28.125 M.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure. **Proposed law** will divert deposits from certain revenue sources from the Construction Subfund of the Transportation Trust Fund into the newly created Megaprojects Leverage Fund.

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|---|----------------------------|--|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H} | | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {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} |

Evan Brasseaux

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 Interim Deputy Fiscal Officer



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CONTINUED EXPLANATION from page one:

SUMMARY CONTINUED FROM PAGE ONE

provides that if the official forecast of the REC of SGF revenues for the current FY are decreased by \$100 M or more from the original official forecast, the treasurer shall only deposit \$112.5 M into the Megaprojects Leverage Fund; creates four special accounts within the Megaprojects Leverage Fund and provides for deposits; provides for appropriations; provides for issuance of bonds; provides for the creation of the Motor Vehicle Sales and Use Tax Bond Fund and provides for deposits; provides for bond resolution requirements; provides that bonds issued shall not be full faith and credit obligations of the state; and provides for inclusion of bonds as net state tax supported debt.

EXPENDITURE EXPLANATION CONTINUED FROM PAGE ONE

Project information is as follows:

I-10 Calcasieu River Bridge and I-10 Improvements Account

Estimated Total Project Cost: \$1.8 B for Calcasieu River Bridge and I-10 improvements

Current identified funding: \$200 M (\$85 M G.O. Priority 5, \$30 M Coronavirus Response and Relief Supplemental Appropriations Act, \$50 M American Rescue Plan Act and \$35 M in the Infrastructure Investment and Jobs Act); governor proposes \$100 M non-recurring SGF allocation, not yet approved

I-49 South Leverage Fund Account

Estimated Total Project Cost: \$8.6 B for 15 project segments (5 are complete at total cost of \$200 M)

Current identified funding: \$7.5 M annually in Statutory Dedications out of the Unclaimed Property Leverage Fund; governor proposes \$100 M non-recurring SGF allocation, not yet approved

Mississippi River at Baton Rouge and Connections Account

Estimated Total Project Cost: Greater than \$2 B for bridge and connecting arteries

Current identified funding: None; governor proposes \$500 M non-recurring SGF allocation, not yet approved

I-19 North Leverage Fund Account

Estimated Total Project Cost: \$865 M annually to \$1.2 B depending on route selection

Current identified funding: \$7.5 M in Statutory Dedications out of the Unclaimed Property Leverage Fund

Once any enumerated project has been completed and issued final acceptance, the project's corresponding Account shall receive no further deposits and monies that would have been deposited into that account shall be divided equally among accounts still eligible to receive deposits.

State Bond Commission reports that the provision allowing for up to \$25 M per year in each account to be used for bond indebtedness would allow for a bond sale of approximately \$375 M - \$500 M depending on market conditions and duration of payoff (20, 30 or 40 years). State Bond Commission reports that bonds issued in conjunction with this measure will result in issuance costs and annual debt service payments. The commission estimates ongoing costs, such as annual Trustee/Paying Agent fees are estimated at \$10,000 annually, presumably paid from the Megaprojects Leverage Fund.

Fragmenting the monies deposited into accounts in equal allocated amounts for the four projects may result in extending the horizon before which any single project is completed. For example, in present law DOTD is permitted to use monies for any of the projects and could prioritize the available resources to complete the "most ready" project or the least expensive. In proposed law DOTD will have to wait until sufficient cash accumulates in a project's account so that, when added to available bond proceeds at a future point in time, the department will have sufficient resources to fully fund the project. To the extent that the legislature is able to identify alternate funding sources to allocate to specific projects, DOTD enters into Public Private Partnerships (P3) to provide bridge financing for project costs, DOTD is able to break projects into phases, or other options materialize, expenditures may occur sooner.

Proposed law is silent with regard to the status of seven projects enumerated in LA 48:77(C)(2) as cash managed capacity projects included in the highway priority program. These projects are also authorized to receive funding from the 75% allocation under LA 48:77 (A)(2). Diversion of the 75% allocation into the Megaprojects Leverage Fund leaves the funding mechanism status of these projects uncertain.

Proposed law creates within the state treasury a marginal workload increase for the Department of Treasury associated with creation of two new Statutory Dedications, which can generally be absorbed with existing resources. However, to the extent other legislative instruments create additional workload, there may be material additional costs associated with the aggregate effort to administer these funds. The Treasury performs fund accounting, financial reporting, banking and custodial functions for 436 special funds. When unable to absorb additional workload with existing resources, the Treasury may need to add one T.O. position at a total personnel services cost of approximately \$73,000, plus approximately \$2,450 for a one-time purchase of office equipment. These expenditures are assumed to be SGR in this fiscal note.

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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