

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **SB 204** SLS 13RS 107  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 14, 2013 4:59 PM	<b>Author:</b> ADLEY
<b>Dept./Agy.:</b> LCTCS/Bond Commission	
<b>Subject:</b> LCTCS projects bonded outside of NSTSD	<b>Analyst:</b> Deborah Vivien

BONDS OR +\$20,000,000 GF EX See Note Page 1 of 1  
 Provides relative to the issuance of bonds to finance capital improvements for the Louisiana Community and Technical Colleges System. (2/3-CA7s6(F)(1))(gov siq)

Proposed law directs that specific LCTCS construction projects are to be funded with \$229,438,000 in appropriation dependent bonds (up to 30 years) issued through the Louisiana Local Government Environmental Facilities and Community Development Authority in the amounts specified in the bill. Before state funding, the projects would require up to \$25 M in private matching funds (10% or a maximum of \$1 M per project). The project cost limitations are stated in the bill and can be increased by a 15% contingency allowance plus other costs of issuance and interest. Each project requires a private match of 10% and may not begin until the match is in place. The bill excludes these bonds from the calculation of Net State Tax Supported Debt. A nonprofit corporation will be established to manage construction projects. No money shall be appropriated for the projects until July 1, 2015. The addition or removal of any project(s) from the original version of the instrument will nullify the entire instrument.

<b>EXPENDITURES</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$20,000,000	\$20,000,000	\$20,000,000	<b>\$60,000,000</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$20,000,000</b>	<b>\$20,000,000</b>	<b>\$20,000,000</b>	<b>\$60,000,000</b>

<b>REVENUES</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**EXPENDITURE EXPLANATION**

The bonds will be issued with the assistance of the State Bond Commission operating within its current budget. Debt service on the bonds will be paid by appropriation, presumably from state general fund, and will not be involved in the capital outlay process. Capital outlay bonds for projects such as these are generally issued as a general obligation debt. In the market, appropriation dependent debt is rated lower than general obligation debt resulting in higher interest costs. Additionally, this bill directs the debt to be excluded from the calculation of net state tax supported debt (NSTSD) which statutorily positions it outside of the debt limit. However, rating agencies and other industry analysts have indicated that all debt is considered when determining a state's debt management plan. Issuing debt outside of the state's limit can still affect the state bond rating, which can further increase the cost of borrowing.

Assuming 5% interest at level debt over 20 years on \$229.4 M, annual debt service would be roughly \$20M per year beginning in FY 16. However, the actual debt service requirements will depend on the structure of the bonds. Also, the principal is allowed to increase up to 15% within the parameters of the bill. Should the statutory increase be exercised, debt service may also increase, according to the structure of the associated debt.

A nonprofit corporation is to be established to manage the projects listed in the bill. Funding of the operating expenses of the nonprofit is not specified, but, if funded by the state, could increase the cost estimates of the bill.

The LFO is still awaiting a response concerning this bill from the LCTCS.

**REVENUE EXPLANATION**

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

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}	<input checked="" type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost {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}	

*Gregory V. Albrecht*  
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**Gregory V. Albrecht**  
 Chief Economist