LEGISLATIVE FISCAL OFFICE
Fiscal Note

Date: May 8, 2013	9:45 AM		**Author:** ADLEY
Dept./Agy.: LCTCS/Bond Commission			
Subject: LCTCS projects bonded outside of NSTSD		**Analyst:** Deborah Vivien

BONDS   RR +$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 sig)

Proposed law directs that 28 specific LCTCS construction projects are to be funded with $251,610,500 in appropriation dependent bonds (up to 30 years) issued through the Louisiana Local Government Environmental Facilities and Community Development Authority or other public trust with the approval of the State Bond Commission in the amounts specified in the bill. Before state funding is issued, the projects will require the availability of private matching funds (at least 12%). 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. 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.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	$0	$0	$20,000,000	$20,000,000	$20,000,000	**$60,000,000**
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**	**$20,000,000**	**$20,000,000**	**$20,000,000**	**$60,000,000**

REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	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	$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**	**$0**	**$0**

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 a simple all-in cost of 5% interest at level debt over 20 years on $251.6 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.

REVENUE EXPLANATION

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

Senate	Dual Referral Rules	House	
[x] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		[x] 6.8(F) >= $500,000 Annual Fiscal Cost {S}	*Gregory V. Albrecht*
[ ] 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}		[ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}	**Gregory V. Albrecht** **Chief Economist**