

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 756** HLS 15RS 1094
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 27, 2015 5:57 PM	Author: OURSO
Dept./Agy.: DOTD/State Treasury/Bond Commission	Analyst: Alan M. Boxberger
Subject: Provides relative to GARVEE Bonds	

TRANSPORTATION EG SEE FISC NOTE SD EX See Note Page 1 of 1
 Provides relative to Grant Anticipation Revenue Vehicles (GARVEE) Bonds

Present law authorizes the State Bond Commission to issue Grant Anticipation Revenue Vehicles (GARVEE Bonds); defines state transportation project; provides for the pledge of certain federal highway funds received by the state as security for the bonds; provides that such bonds shall be issued by the State Bond Commission but only after the issuance has been approved by the Joint Committee on Transportation, Highways and Public Works; and provides that the aggregate amount of principal and interest on all bonds issued under this authority shall not exceed 10% of annual federal highway funds. The Joint Legislative Committee on the Budget also approves expenditures of the proceeds held by trustee banks.

Proposed law amends the definition of state transportation project and specifies that it shall include, but not be limited to, a new bridge across the Mississippi River connecting La Highway 1 to La Highway 30, and makes technical corrections.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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>	\$0
Annual Total						
REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

Proposed law amends current statute relative to Grant Anticipation Revenue Vehicles (GARVEE) Bonds, changing several definitions and inserting provisions to include "a new bridge across the Mississippi River connecting La Hwy 1 to La Hwy 30" in projects considered eligible for financing with GARVEE Bonds. Proposed law redefines a qualified federal-aid transportation project from any state project financed in whole or part with federal transportation funds within the TTF, to any project to be constructed in whole or part with monies appropriated from the TTF and removing reference to federal transportation funds. DOTD reports that the proposed law potentially creates a conflict between projects the state identifies for GARVEE financing and projects that the Federal Highway Administration (FHWA) would consider to be eligible for such financing. GARVEE Bond funded projects currently must meet federal eligibility requirements as defined by the FHWA because the bonds are issued using the pledge of future federal aid funding allocations.

Proposed law authorizes the State Bond Commission to issue GARVEE bonds for projects fitting certain criteria. Any bonds issued under proposed law would result in issuance costs and annual debt service payments in an amount depending upon the issuance size, number of series issued, structure and current market conditions. While issuance costs can be covered by bond proceeds, instruments issued as per proposed law would result in certain annual costs until the bonds mature, such as Trustee/Paying Agency Fees (estimated at \$10,000 annually), administrative costs of the State Bond Commission, and potential costs and/or penalties incurred in periodic arbitrage calculations pursuant to Section 148(f) of the Internal Revenue Code. Ongoing expenditures would be paid either from federal transportation funds, if allowable under federal law, or the State Bond Commission's self-generated revenues.

The Louisiana Department of Treasury reports that it is not clear if bonds issued pursuant to RS 48:27 would be considered net state tax supported debt pursuant to RS 39:1367 and the rules of the State Bond Commission. The capacity for new state tax supported debt is limited under current capacity constraints.

DOTD currently receives approximately \$600M annually for operating and capital expenditures. Approximately 10% of this amount (\$60M) could be used for debt service, which would generate approximately \$500M for a 10-15 year bond.

REVENUE EXPLANATION

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

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| Senate | <u>Dual Referral Rules</u> | House | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {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} | |

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