

2018 Regular Session

HOUSE BILL NO. 122

BY REPRESENTATIVE DEVILLIER

CAPITAL OUTLAY: Provides relative to capital outlay reform

1 AN ACT

2 To amend and reenact R.S. 39:112(C)(2)(b), (E)(1), (2)(introductory paragraph), and (2)(b)  
3 and (c), and 122(A), relative to capital outlay; to provide with respect to the capital  
4 outlay process; to provide for certain definitions; to provide for certain requirements  
5 for nonstate projects; to provide for changes to the allocation of cash line of credit  
6 capacity each fiscal year; to provide with respect to the local match requirements for  
7 certain projects; to provide relative to line of credit recommendations for projects;  
8 to require the approval of certain line of credit recommendations; to provide for  
9 applicability; to provide for an effective date; and to provide for related matters.

10 Be it enacted by the Legislature of Louisiana:

11 Section 1. R.S. 39:112(C)(2)(b), (E)(1), (2)(introductory paragraph), and (2)(b) and  
12 (c) and 122(A) are hereby amended and reenacted to read as follows:

13 §112. Capital outlay act

14 \* \* \*

15 C.

16 \* \* \*

17 (2) For purposes of this Section, the following terms shall have the following  
18 meanings unless the context clearly indicates otherwise:

19 \* \* \*

1 (b) "Economic development project" means a recruitment or retention  
2 project undertaken or sponsored by the Department of Economic Development  
3 which meets one of the following:

4 (i) Improvements on public or government-owned property for the purposes  
5 of attracting or retaining a specific new or existing manufacturing or business  
6 operation that benefits Louisiana:

7 ~~(ii) Facilities or improvements on public or government-owned property and~~  
8 ~~that generate~~ generates new, permanent employment or which ~~help~~ helps retain  
9 existing employment.

10 ~~(iii) (ii)~~ (ii) Facilities or infrastructure improvements on public or government-  
11 owned property necessary for the manufacturing plant or business to operate.

12 \* \* \*

13 E.(1)(a) General obligation bond funding of ~~non-state~~ nonstate projects shall  
14 be limited to no more than twenty-five percent of the cash line of credit capacity for  
15 projects in any fiscal year. ~~Non-state~~ Nonstate projects are those projects not owned  
16 and operated by the state except those projects determined by the commissioner of  
17 administration to be a regional economic development initiative or regional health  
18 care facility operated in cooperation with the state. The allocation of general  
19 obligation bond cash lines of credit for nonstate projects shall comply with the  
20 provisions of Subparagraph (E)(1)(b) of this Section and the allocation of general  
21 obligation bond cash lines of credit for state projects shall comply with the  
22 provisions of Subparagraph (E)(1)(c) of this Section.

23 (b) Of the allocation of twenty-five percent of the general obligation bond  
24 cash lines of credit granted in any fiscal year for nonstate projects, the commissioner  
25 shall divide ten percent of the allocation among the parishes on a pro rata basis of  
26 population and number of homesteads in each parish in proportion to the population  
27 and number of homesteads throughout the state. The remaining fifteen percent of the  
28 general obligation bond cash lines of credit granted in any fiscal year to nonstate

1 projects shall be prioritized to highway or bridge projects or economic development  
2 projects as defined in Subparagraph (C)(2)(b) of this Section.

3 (c) Of the allocation of general obligation bond cash lines of credit granted  
4 in any fiscal year for state projects, the commissioner shall direct no less than three  
5 million dollars of cash line of credit capacity to each Department of Transportation  
6 and Development highway district to fund projects which are deemed by the district  
7 engineer as either deferred maintenance projects or drainage projects within the  
8 geographic boundaries of each district. Of the remaining general obligation bond  
9 cash lines of credit granted in any fiscal year to state projects, no less than fifty  
10 percent of the allocation shall be directed by the commissioner to fund highway and  
11 bridge projects.

12 (2) ~~Non-state~~ Nonstate entity projects shall require a match of not less than  
13 twenty-five percent of the total requested amount of funding except:

14 \* \* \*

15 (b) ~~A project of a non-state entity which has demonstrated its inability to~~  
16 ~~provide a local match. The division of administration shall promulgate rules~~  
17 ~~establishing a needs-based formula for determining the inability of a non-state entity~~  
18 ~~to provide the required local match. However, such rules shall be approved by the~~  
19 ~~House Committee on Appropriations, the House Committee on Ways and Means, the~~  
20 ~~Senate Committee on Finance, and the Senate Committee on Revenue and Fiscal~~  
21 ~~Affairs before they are promulgated.~~

22 (e) A project for a rural water system servicing less than one thousand  
23 customers to extend or connect waterlines to other water systems.

24 \* \* \*

25 §122. Commencement of work

26 A. No work shall commence and no contract shall be entered into for any  
27 project contained in the capital outlay act unless and until funds are available from  
28 the cash sources indicated in the ~~act~~ Act or from the sale of bonds or from a line of  
29 credit approved by the State Bond Commission, except contracts for Department of

1 Transportation and Development projects which are subject to the provisions of R.S.  
 2 48:251(D). ~~The Joint Legislative Committee on Capital Outlay~~ commissioner of  
 3 administration shall make recommendations to the ~~commissioner of administration~~  
 4 Joint Legislative Committee on Capital Outlay concerning the ~~non-state~~ state and  
 5 nonstate entity projects to be granted lines of credit. The commissioner of  
 6 administration shall submit to the Joint Legislative Committee on Capital Outlay a  
 7 list of state and nonstate entity projects ~~that will be submitted to the State Bond~~  
 8 ~~Commission~~ that the Division of Administration recommends for lines of credit a  
 9 ~~minimum of five days prior to the submission to the State Bond Commission~~ no less  
 10 than thirty days prior to the meeting date of the State Bond Commission in which the  
 11 lines of credit are to be considered. The Joint Legislative Committee on Capital  
 12 Outlay shall receive the list of recommendations from the division of administration  
 13 and shall have discretion to either approve the list or make changes to the list. The  
 14 committee shall make final recommendations and shall approve a list of projects  
 15 which shall be submitted to the State Bond Commission for consideration of lines  
 16 of credit. Only projects which received approval from the Joint Legislative  
 17 Committee on Capital Outlay shall be submitted to the State Bond Commission for  
 18 consideration of lines of credit.

19 \* \* \*

20 Section 2. The provisions of this Act shall be applicable to the funding of all projects  
 21 included in the capital outlay budget for fiscal years commencing on and after July 1, 2018.

22 Section 3. This Act shall become effective on July 1, 2018.

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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 122 Original

2018 Regular Session

DeVillier

**Abstract:** Adds restrictions to the allocation of cash line of credit capacity for capital outlay projects and requires the Joint Legislative Committee on Capital Outlay (JLCCO) to approve line of credit recommendations before the division of administration submits the list to the State Bond Commission for funding.

Present law requires the governor to submit his capital outlay budget which implements the first year of the five-year capital outlay program and the bond authorization bill for the sale of bonds to fund projects included in the bond portion of the capital outlay bill to the legislature no later than the 8<sup>th</sup> day of each regular session.

Present law authorizes capital outlay budget requests submitted after Nov. 1<sup>st</sup> to be included in the capital outlay act if the budget request meets all of the applicable requirements as provided in present law, except for time of submission, and the project is an economic development project recommended in writing by the secretary of the Dept. of Economic Development (DED), the project is an emergency project recommended in writing by the commissioner of administration, the project is for a nonstate entity which meets certain present law requirements, or the project is located in a designated disaster area and it meets certain present law requirements.

Proposed law retains present law.

Present law defines the term "economic development" as follows:

- (1) Improvements on public or government-owned property for attracting or retaining a new or existing manufacturing or business operation that benefits La.
- (2) Facilities or improvements on public or government-owned property that generate new, permanent employment or which help retain existing employment.
- (3) Facilities or infrastructure improvements on public or government-owned property necessary for a manufacturing plant or business to operate.

Proposed law changes the definition of "economic development project" as a project which meets *one* of the following:

- (1) Improvements on public or government-owned property for attracting or retaining a new or existing manufacturing or business operation that benefits La. and generates new, permanent employment or which helps retain existing employment.
- (2) Facilities or infrastructure improvements on public or government-owned property necessary for a manufacturing plant or business to operate.

Present law limits general obligation bond (GOB) funding of nonstate projects to no more than 25% of the cash line of credit capacity for projects in any fiscal year.

Proposed law retains the amount of cash line of credit capacity for nonstate projects but requires the commissioner of administration (commissioner) to divide 10% of the GOB allocation of cash line of credit granted to nonstate projects on a pro rata basis of population and number of homesteads in each parish in proportion to the population and number of homesteads throughout the state. The remaining 15% of the GOB cash line of credit capacity granted to nonstate projects shall be prioritized for highway, bridge, or economic development projects as defined in proposed law.

Proposed law requires that of the portion of GOB cash line of credit capacity each fiscal year granted to state projects, the commissioner shall direct no less than \$3M to each DOTD highway district to fund projects deemed to be either deferred maintenance projects or drainage projects within the geographic boundaries of each district. Further requires the commissioner shall designate no less than 50% of the remaining GOB line of credit capacity to be directed to highway and bridge projects.

Present law requires nonstate entities applying for capital outlay funding to provide a match of not less than 25% of the total requested funding amount with the following exceptions:

- (1) Projects deemed to be an emergency by the commissioner.
- (2) Projects for which a nonstate entity has demonstrated its inability to provide a local match. Proposed law requires the establishment of a needs-based formula for determining the inability of a non-state entity to provide the required local match.
- (3) Projects for rural water systems servicing less than 1,000 customers to extend or connect waterlines to other water systems.

Proposed law repeals the present law exception for nonstate entity projects for which the nonstate entity has demonstrated its inability to provide a local match.

Present law requires the JLCCO to make recommendations to the commissioner concerning nonstate entity projects to be granted lines of credit. Further requires the commissioner to submit the list of projects to be recommended for lines of credit to the JLCCO a minimum of five days prior to submission of the list to the State Bond Commission (SBC).

Proposed law changes present law by requiring the commissioner to make recommendations to the JLCCO concerning state and nonstate entity projects to be recommended for lines of credit. Further requires the commissioner to submit the list of recommendations to the JLCCO no less than 30 days prior to the meeting date of the SBC in which the lines of credit are to be considered for funding.

Proposed law requires the JLCCO to make final recommendations by either approving the list of recommendations or making changes to the list. Only projects which received approval from the JLCCO can be submitted to the SBC for consideration of funding.

Applicable to the funding of all nonstate entity projects included in the capital outlay budget for fiscal years commencing on and after July 1, 2018.

Effective July 1, 2018.

(Amends R.S. 39:112(C)(2)(b), (E)(1), (2)(intro. para.), and (2)(b) and (c), and 122(A))