
DIGEST

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HB 195 Original

2019 Regular Session

DeVillier

Abstract: Adds restrictions to the allocation of cash line of credit capacity for capital outlay projects and requires the House Committee on Ways and Means and the Senate Committee on Revenue and Fiscal Affairs 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 8th day of each regular session.

Present law authorizes capital outlay budget requests submitted after Nov. 1st 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 requires the office of facility planning and control and any state agency which administers capital outlay appropriations to submit annual reports to the Joint Legislative Committee on Capital Outlay (JLCCO) of each project included in the prior year's capital outlay budget. The report includes information such as the project title, the total project budget from all means of financing, including state and local funds, local match information, information on funds expended and encumbered on the project, and the project's status.

Proposed law retains present law but adds a requirement that the information required to be reported in present law shall also be reported on projects which may no longer be in the prior year's capital outlay budget because the project received funding through a cash means of finance or from advance bond sales. Further requires this information to continue to be reported until a certificate of completion has been issued by the office of facility planning and control.

Present law provides for specific criteria that a project must meet in order to be considered an "economic development project". Criteria includes projects such as improvements on public or government-owned property for attracting or retaining a new or existing manufacturing or business

operation that benefits La. or facilities or improvements on public or government-owned property that generate new, permanent employment or which help retain existing employment.

Proposed law streamlines the criteria that a project must meet in order to be considered an economic development project to specify that the 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.

Proposed law prohibits projects from nongovernmental entities from being eligible for capital outlay funding.

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, flood control and flood prevention projects, or economic development projects as defined in proposed law. Further defines "economic development project" for purposes of proposed law.

Proposed law requires that of the portion of GOB cash line of credit capacity for each fiscal year granted to state projects, the commissioner shall direct no less than \$2,100 for each state highway mile located within each highway district to the Dept. of Transportation and Development to fund projects which are deemed the highest priority by the district engineer within the geographic boundaries of each highway district.

Proposed law authorizes the allocation to highway districts to be used to fund costs for the lease or rental of movable equipment necessary for construction of deferred maintenance or drainage projects. Further requires the commissioner to 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 nonstate 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 House Committee on Ways and Means and the Senate Committee on Revenue and Fiscal Affairs (hereinafter "committees") 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 committees 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 committees to make final recommendations by either approving the list of recommendations or making changes to the list. Only projects which received approval from the committees can be submitted to the SBC for consideration of funding.

Present law limits the annual amount of general obligation bond cash line of credit capacity which may be authorized by the State Bond Commission (SBC) to \$200 million per year, adjusted for construction inflation from 1994. The amount may be raised by a favorable vote of 2/3rds of the elected members of each house of the legislature.

Proposed law changes present law by establishing the following specific amounts which may be authorized each year:

- (1) For Fiscal Year 2021, \$300 million.
- (2) For Fiscal Year 2022, \$275 million.
- (3) For Fiscal Year 2023, \$250 million.
- (4) For Fiscal Year 2024, and each year thereafter, \$225 million.

Proposed law retains authority for a change in the limit by a favorable vote of 2/3rds of the elected members of each house of the legislature and adds authority for that approval to be accomplished by mail ballot.

Present law requires the office of facility planning and control to send notice to all nonstate entities of the need to resubmit a capital outlay budget request for projects that do not receive a line of credit prior to Sept. 15th for the total amount of bond proceeds authorized in the capital outlay act for that fiscal year. Further requires the notice to also be sent to each state representative and state senator who represents the geographic area of the project.

Proposed law retains present law but specifies that the notice is to be sent if the project has not received or been recommended for a line of credit prior to Sept. 15th of each year.

Present law establishes various requirements for content to be included in the capital outlay act.

Proposed law retains present law and adds a requirement that the capital outlay act include a statement concerning the total outstanding net state tax supported debt, including the specific amount of principle and interest, as defined in present law. Further, the capital outlay act shall contain an estimate of debt service costs associated with the amount of new GOB cash line of credit capacity for that fiscal year, as provided in proposed law.

Present law provides a procedure for the development of a list of recommended projects to be presented to the SBC for consideration for a GOB cash line of credit.

Proposed law retains present law and requires that for each project presented to the SBC for this purpose there be included an estimate of debt service costs associated with the sale of debt for the total project cost.

Applicable to the funding of all nonstate entity projects included in the capital outlay budget for fiscal years commencing on and after July 1, 2020.

Effective July 1, 2020.

(Amends R.S. 39:105(A), 112(C)(2)(b), (E)(1), (2)(intro. para.), (b) and (c), and (F), 115(A) and (B), and 122(A); Adds R.S. 39:112(H))