

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 6** HLS 202ES 45

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: September 29, 2020 10:35 AM	Author: DEVILLIER
Dept./Agy.: Executive/DOA Office of Facility Planning & Control	Analyst: Willie Marie Scott
Subject: Capital Outlay	

CAPITAL OUTLAY

OR SEE FISC NOTE GF EX

Page 1 of 1

Restricts the allocation of cash line of credit capacity for certain projects and provides for the recommendation of projects for lines of credit (Item #15)

Proposed law reduces the present law limitation of general obligation (GO) bond cash line of credit capacity from \$200 M annually adjusted for construction inflation from 1994 to \$300 M in FY 22, \$275 M in FY 23, \$250 M in FY 24, and \$225 M in FY 25 and beyond; prohibits nongovernmental entities and regional economic development initiatives from being eligible for capital outlay funding; and requires the reporting of the Net State Tax Supported Debt and the estimate of GO debt service for the new cash line of credit capacity. It further requires the Commissioner of Administration (COA) to divide 40% of cash line of credit capacity granted to nonstate projects among the parishes on a pro rata basis of population and number of homesteads throughout the state; and designate the remaining 60% of nonstate projects for highway and bridge projects, flood control and prevention projects, or economic development projects. Of the cash line of credit granted to state projects, no less than \$2,100 per state highway mile within each highway district shall be designated to fund projects which are deemed the highest priority by the district engineer within the geographic boundaries of each highway district; and no less than 50% of the remaining balance shall be designated for highway and bridge projects. The proposed law provides for a revised process for the approval process of a cash line of credit before the commencement of work.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$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

REVENUES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$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

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of changes in the procedure by which state and nonstate entity projects are considered for lines of credit by the state bond commission (SBC). The lines of credit for nonstate entity projects are currently limited to no more than 25% of the cash line of credit for projects, therefore the same total amount will be appropriated for nonstate entity projects. Nongovernmental entity projects shall be ineligible for capital outlay funding. Enactment of the proposed legislation may impact how the total lines of credit for state and nonstate entity projects are allocated on a per project basis.

Proposed law reduces the annual cash line of credit to \$300 M in FY 22, \$275 M in FY 23, \$250 M in FY 24, and \$225 M in FY 25 and beyond, resulting in an indeterminable reduction in the number of projects, capital outlay spending, and annual debt service costs in fiscal years beyond FY 25 and the scope of this fiscal note. According to the DOA Office of Facility Planning & Control (OFPC), capital outlay project expenditures as well as its expenditures to administer capital outlay projects are generally funded with GO bonds.

Note: The current cash line of credit limit is \$881.4 M in FY 21.

REVENUE EXPLANATION

It is not anticipated that this bill will immediately result in a loss of revenue. OFPC currently charges less than 6% on projects funded with GO bonds. To the extent the reductions in the cash lines of credit required by this bill result in reductions in GO bonding, OFPC may increase the administrative fee charged on each project to prevent a reduction in revenue. An increase in the administrative fee would increase the revenue for OFPC and decrease the amount of revenue available for capital outlay projects. Alternatively, if the size and scope of the capital outlay program is reduced, the OFPC may realize cost savings negating or partially offsetting the need to increase the administrative fee. In addition to projects funded with GO Bonds, the OFPC also administers projects by other means of finance.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Christopher A. Keaton
Legislative Fiscal Officer