



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 463** HLS 14RS 1294
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: March 3, 2014 4:57 PM	Author: BISHOP, WESLEY
Dept./Agy.: Division of Administration (DOA)	Analyst: Travis McIlwain
Subject: Forgiveness of Debt	

BONDS OR -\$29,300,000 GF RV See Note Page 1 of 1
 Provides for the forgiveness of loans to the city of New Orleans under the Local Debt Service Assistance Program

Current law authorized the issuance of state general obligation bonds and other evidences of state debt issued pursuant to the Gulf Opportunity Zone Act of 2005 to provide relief from natural catastrophes by providing monies for the payment of debt service of impacted political subdivisions and the state.

Proposed law forgives the amounts, including principal, interest and premium owed by impacted political subdivisions which borrowed money from the state for the payment of debt service pursuant to the local debt service assistance program, and requires the commissioner of administration to execute the provisions of this proposed legislation.

Effective July 1, 2014.

EXPENDITURES	2014-15	2015-16	2016-17	2017-18	2018-19	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
REVENUES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	(\$29,300,000)	(\$29,300,000)	(\$29,300,000)	(\$29,300,000)	(\$29,300,000)	(\$146,500,000)
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	(\$29,300,000)	(\$29,300,000)	(\$29,300,000)	(\$29,300,000)	(\$29,300,000)	(\$146,500,000)

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

This bill will result in the loss of state general fund revenue of approximately \$29.3 million per year from FY 15 to FY 27 (repayment has been in place since January 2012). This loss of revenue is associated with the repayment of local government debt obligations through Go Zone Bond allocations, which this bill seeks to forgive. There are 12 political subdivisions that currently owe the Division of Administration (DOA) a total of approximately \$290.4 million in principal and \$98.7 million in interest (\$389.1 million total). The original debt was \$546.3 million (principal & interest). Absent this legislation, these repayments would otherwise flow into the state general fund.

Act 41 of the 2006 First Extraordinary Legislative Session authorized the state to issue state general obligation bonds pursuant to the federal Gulf Opportunity Zone Act of 2005 (Go Zone), which provided debt relief to various political subdivisions. The federal law provided for \$200 million in gulf tax credit bonds with a state match of \$200 million (General Obligation Bonds). Each of the political subdivisions signed cooperative endeavor agreements (CEA) with the DOA, with the first payment being due January 2012 in the amount of \$9.5 million (aggregate interest only payment).

To date, the DOA has collected approximately \$145.5 million in payments which includes \$77.9 million from the New Orleans School Board (paid entire debt in full in FY 12) and \$18.0 million from the Orleans Parish Law Enforcement District (paid entire debt in full in FY 13). Payments are made in January and June annually. This bill is silent with regard to those entities that have already made payments to the DOA in FY 12, FY 13 and FY 14. It is not clear if those payments are to be reimbursed back to local entities as a result of debt forgiveness provided by this bill. To the extent that this bill would forgive those debt payments that have already been paid, then the payments already received in the amount of \$145.5 million would be paid back to the political subdivisions in FY 14.

NOTE: As contained in the latest adopted revenue forecast, these anticipated debt payments are a SGF revenue flow. To the extent these debts are forgiven, there will be approximately \$29.3 M less in SGF revenues available for SGF expenditures in FY 15 and beyond.

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