

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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$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

- 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
- 6.8(F)(2) >= \$500,000 State Revenue Reduction {H & S}
- 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}
- 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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