



STATE BOND COMMISSION

DEPARTMENT OF TREASURY

June 18, 2020

Overview

- In accordance with the Comprehensive Capital Outlay Budget, cash lines of credit provide a mechanism to cash flow capital outlay projects that in the future will be funded with General Obligation (“GO”) bond proceeds.
- Constitutional debt limit constrains the amount of debt that can be issued (“debt limit”). Debt service can be no more than 6% of the REC revenues in any fiscal year.
- The 1st REC forecast of the fiscal year establishes the debt limit. The May 2020 REC forecast is applicable and will be until the REC adopts an official forecast in FY 2021.
- The May 2020 forecast provides sufficient debt limit capacity for \$500 M of proceeds to be raised annually.
- The cost of issuing new debt impacts the operating budget.
- It is anticipated new GO Bonds will need to be issued in FY 2021 to fund cash lines of credit.

3 Constraints to the Issuance of New GO Bonds

1. Constitutional Debt Limit

- Limits the amount of bonds that can be issued.

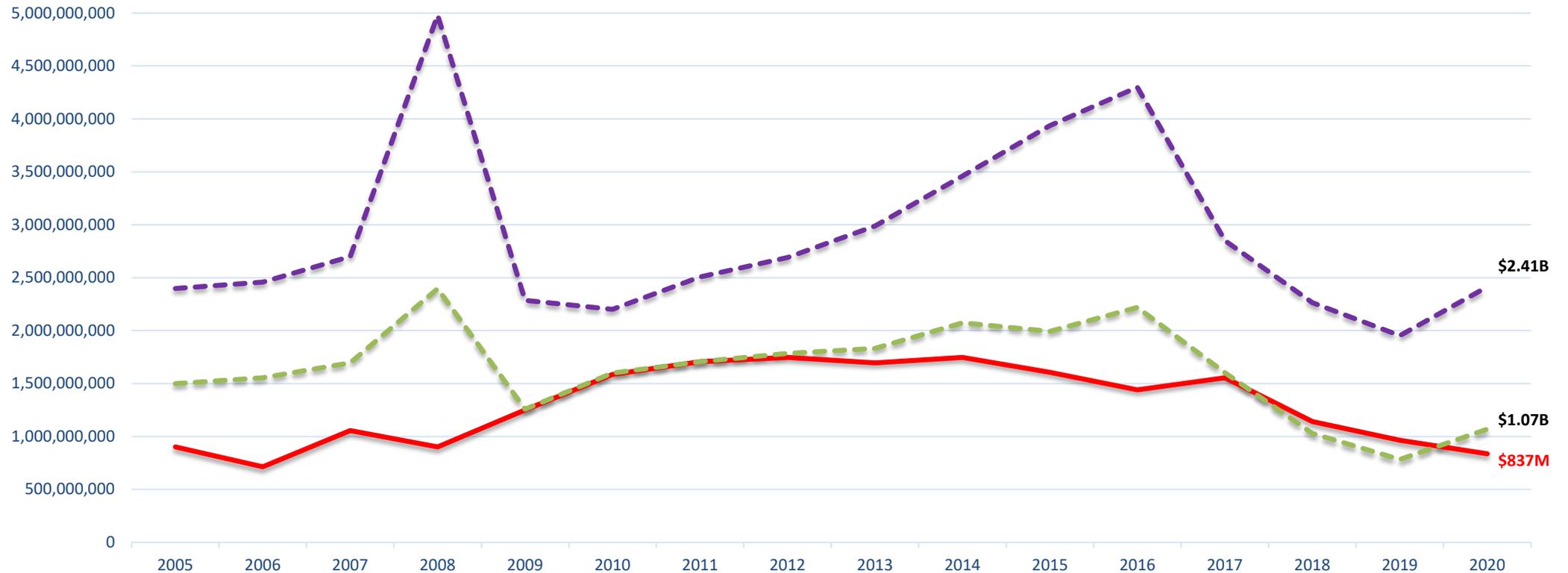
2. Cash Lines of Credit Limit

- State Bond Commission (“SBC”) is limited under the law in the amount of cash lines of credit that can be authorized each fiscal year.
- This limit is made up the prior year authorized cash lines of credit that remain unfunded plus new incremental limit, which is \$405 M.
- In FY 2020, this limit is \$837.2 M.

3. Operating Budget

- Debt service is among the state’s nondiscretionary fixed costs.
- In FY 2020 GO debt service is \$446 M.
- In FY 2021 GO debt service is \$432 M.
- If an additional \$350 M is issued annually, GO debt service would increase to \$461 M in FY 2024.
- As additional bonds are sold, GO debt service will increase in the future.

Legislative Demand for New GO Bonds

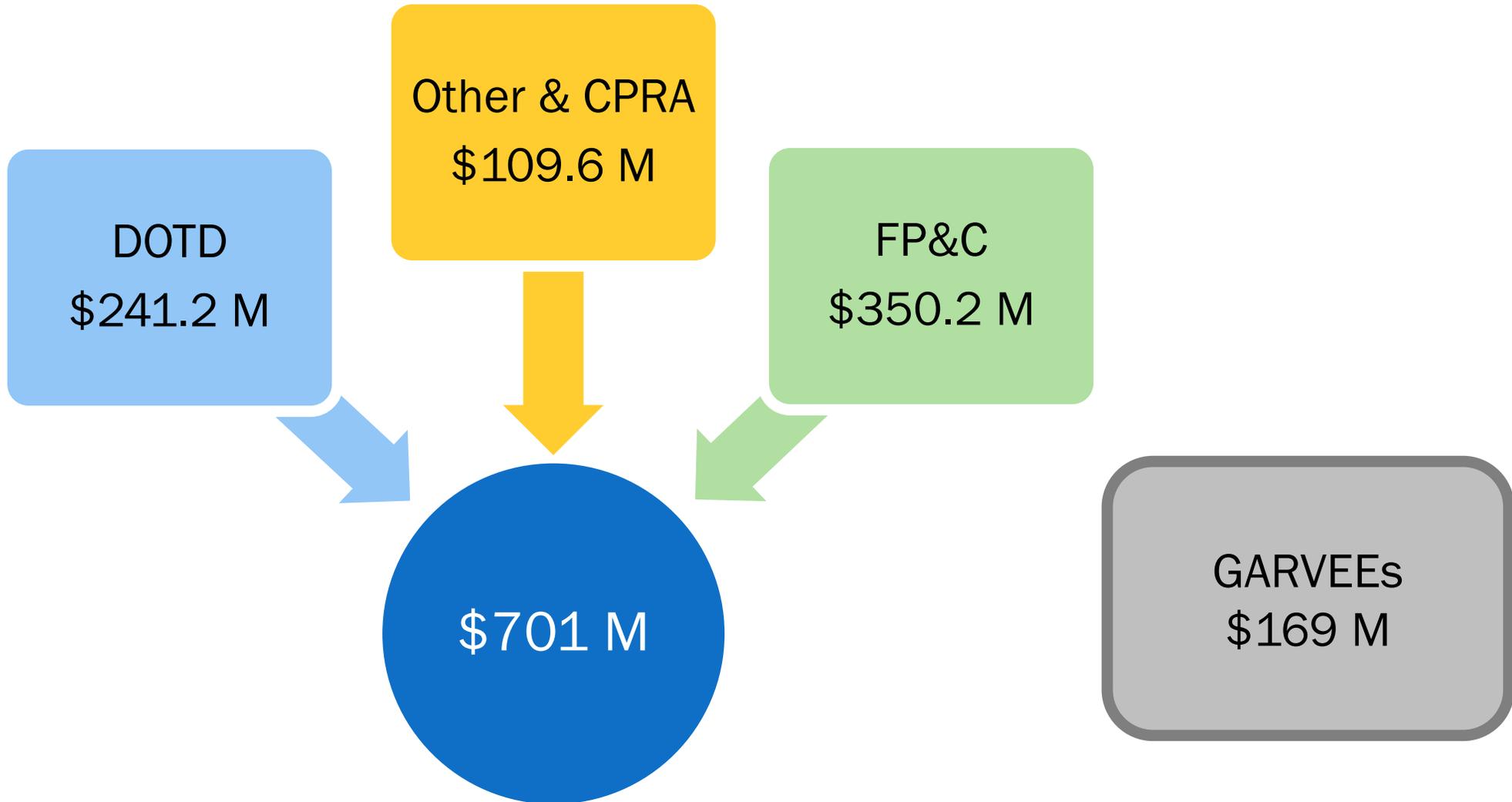


- The red line is the maximum amount of cash lines of credit that SBC is authorized to approve each fiscal year.
- The dotted lines are appropriations in the Capital Outlay bill; green is cash lines of credit and purple is cash and non-cash lines of credit.

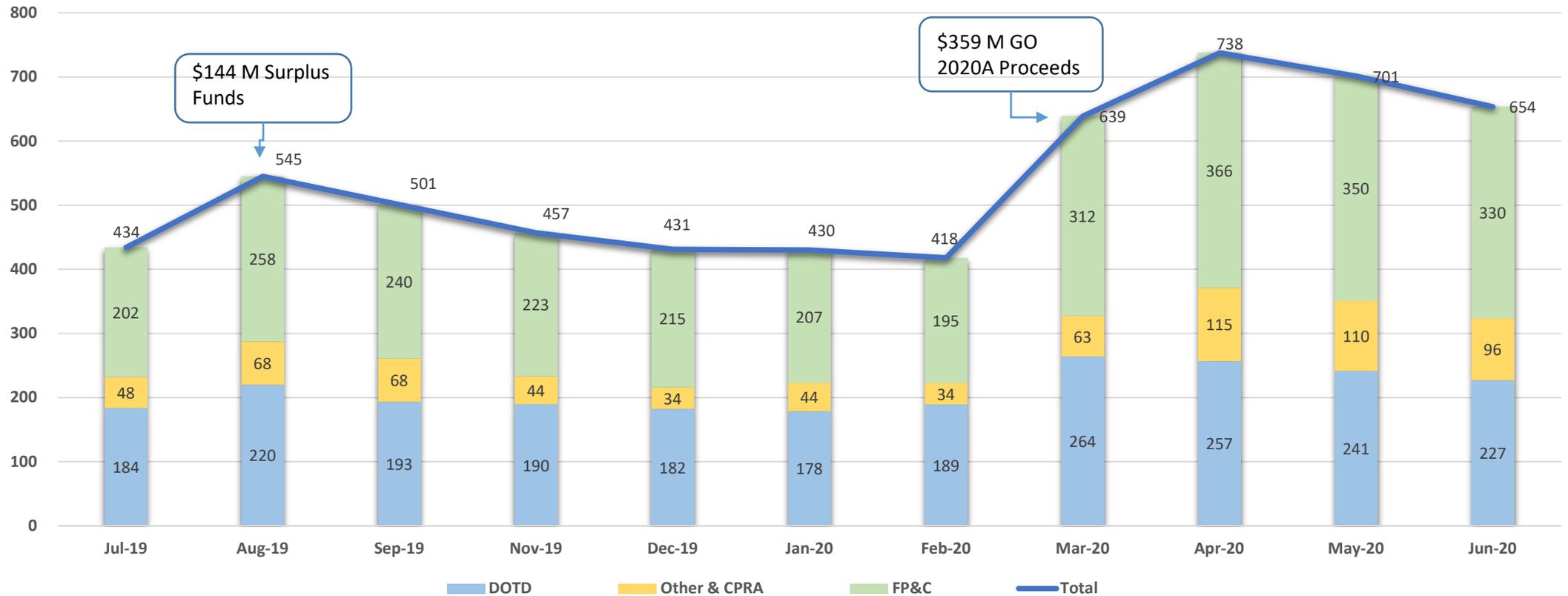
Includes figures from the enrolled version (Act 20) of the capital outlay budget and program (HB2) of the 2019 Regular Session.

Capital Outlay Escrow Fund Balance

As of May 31, 2020



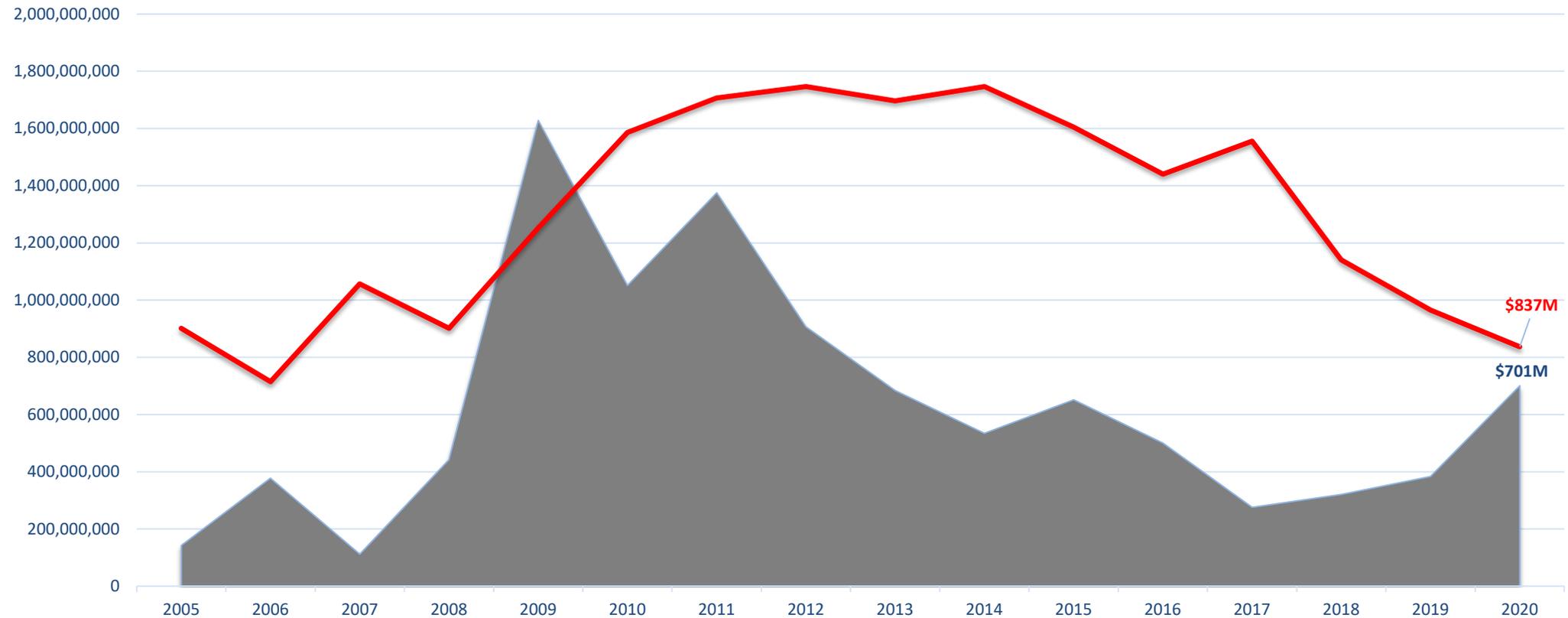
Month End Capital Outlay Fund Balances (in millions)



- Jul-19 through May-20 reflect actual month end balances.
- Jun-20 reflect projected month end balance based upon projected expenditures.

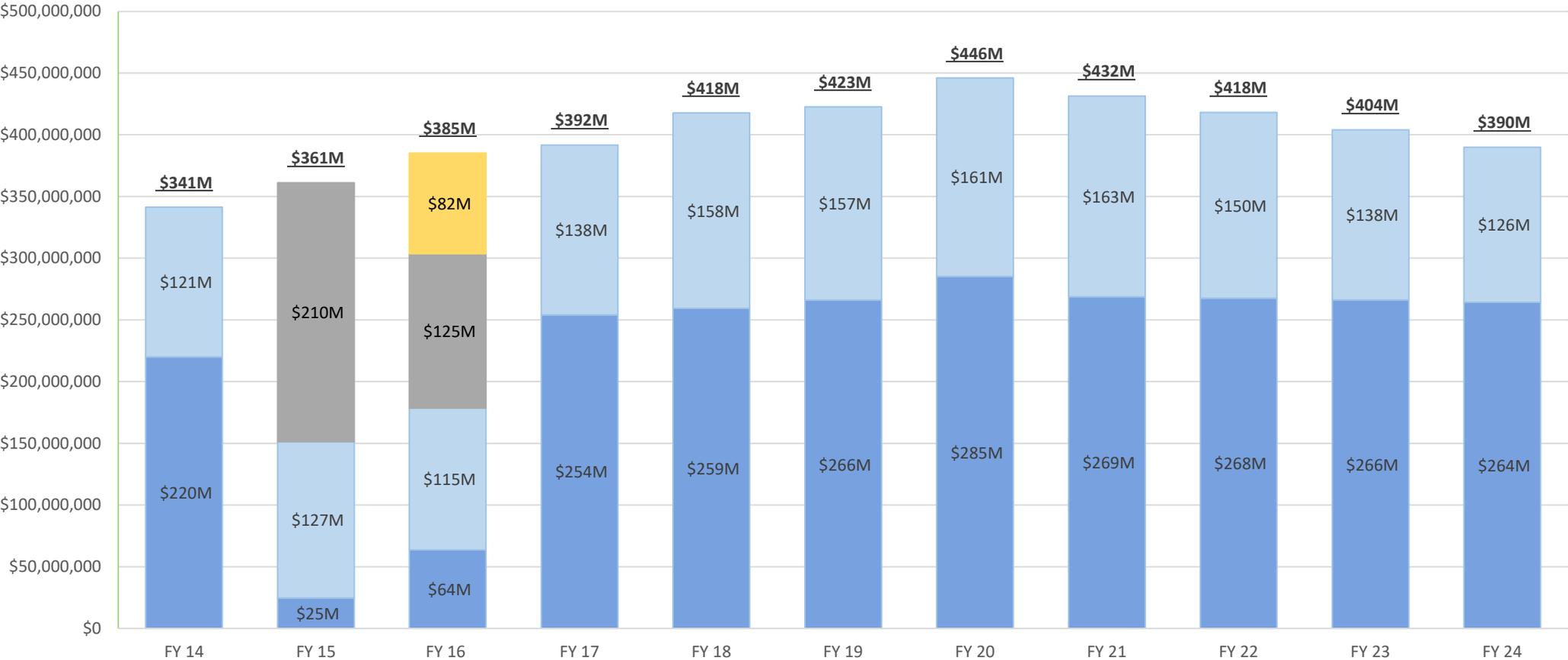
Note: Other agencies include Division of Administration, Military Affairs, Economic Development, Coastal Protection & Restoration Authority, and Louisiana Stadium & Exposition Authority

Capital Outlay Escrow Fund vs SBC's Authority to Issue LOC's



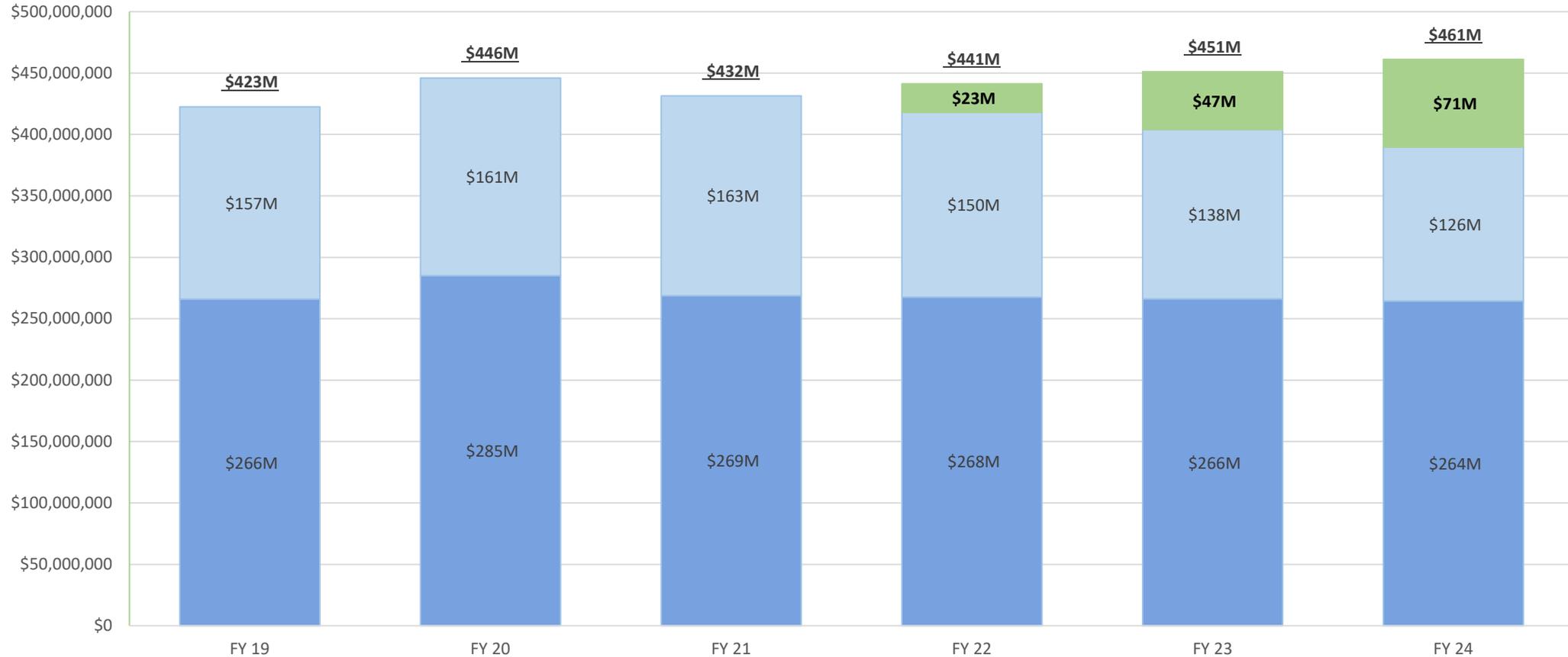
- The grey area represents the cash in the Capital Outlay Escrow Fund. FY 20 balance is as of May 31, 2020.
- The red line represents the maximum amount of cash line of credit legal limit that SBC is authorized to approve each fiscal year.
- In 2009 General Fund surplus dollars bolstered the Fund; however that cash has depleted over time and the fund has depended on new GO bond proceeds to fund cash lines of credit reflected in the red line. Recent history shows an incline in cash balance due to appropriated surplus dollars and proceeds from regular GO bond sales.
- Although the May 2020 REC forecast provides sufficient debt limit capacity to raise \$500 M of proceeds annually, budget considerations are also important.

GO Debt Service



- Actual principal cost of GO Bonds that have already been sold to fund Capital Outlay Projects.
- Actual interest cost of GO Bonds that have already been sold to fund Capital Outlay Projects.
- One time measure to set aside surplus dollars to pay for debt service.
- One time measure to refinance and defer FY 16 GO debt service to eliminate a portion of the FY 16 deficit.

Effect of new GO debt Cost on the Operating Budget



- – Actual principal cost of GO Bonds that have already been sold to fund Capital Outlay Projects.
- – Actual interest cost of GO Bonds that have already been sold to fund Capital Outlay Projects.
- – Projected cost of new GO Bonds in an amount not to exceed \$350 M to continue to fund Capital Outlay Projects.

Assumes bonds are issued with the State's traditional 20 year level debt structure.

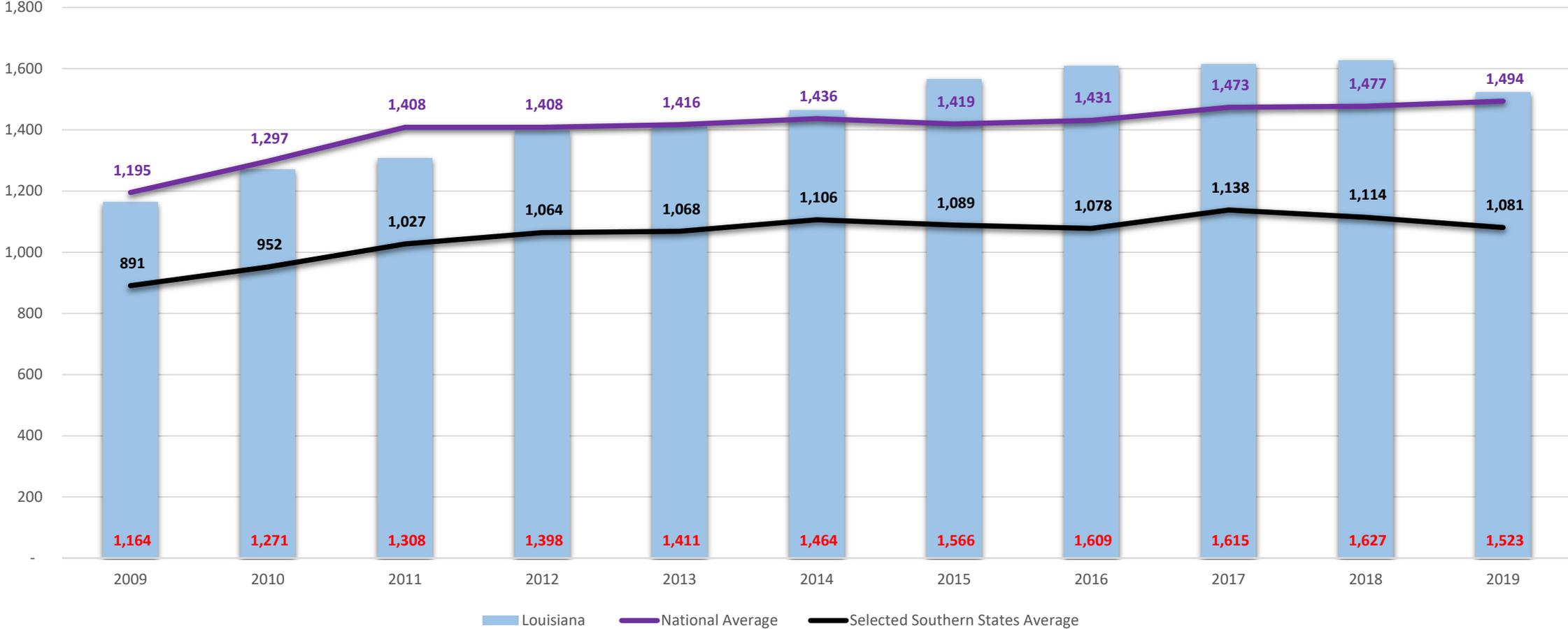
State Credit Ratings & State Debt Trends

Louisiana's Credit Rating Compared to Other States

Distribution of State GO and Issuer Ratings by Rating Category as of January 16, 2020						
Aaa (15 States)	Aa1 (19 States)	Aa2 (8 States)	Aa3 (4 States)	A1 (1 State)	A3 (1 State)	Baa3 (1 State)
Delaware	Alabama	California	Alaska	Connecticut	New Jersey	Illinois
Florida	Arizona	Kansas	Kentucky			
Georgia	Arkansas	Maine	Louisiana			
Indiana	Colorado	Mississippi	Pennsylvania			
Iowa	Hawaii	New Mexico				
Maryland	Idaho	Oklahoma				
Missouri	Massachusetts	Rhode Island				
North Carolina	Michigan	West Virginia				
South Carolina	Minnesota					
South Dakota	Montana					
Tennessee	Nebraska					
Texas	Nevada					
Utah	New Hampshire					
Virginia	New York					
Washington	North Dakota					
	Ohio					
	Oregon					
	Vermont					
	Wisconsin					

Source: Moody's Investors Service, Rating changes for the 50 states from 1970

Per Capita Debt (Bonded Indebtedness)



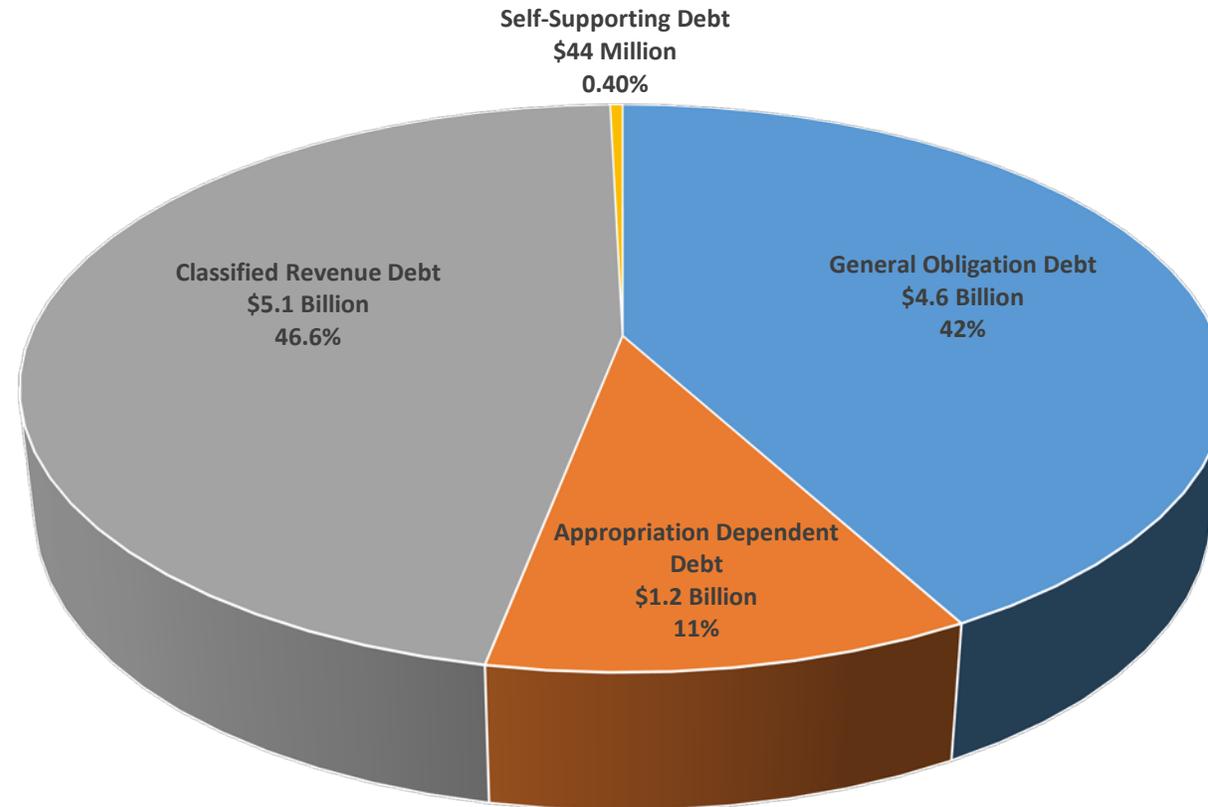
Sources: Moody's Investors Service, Medians Reports

Includes debt supported by statewide taxes (GO Bonds, revenue Bonds & certain debt issued by various entities and secured by annual appropriation by the Legislature)

Selected Southern States include: Alabama, Arkansas, Georgia, Kentucky, Mississippi and Tennessee

Total Debt Outstanding

As of December 31, 2019

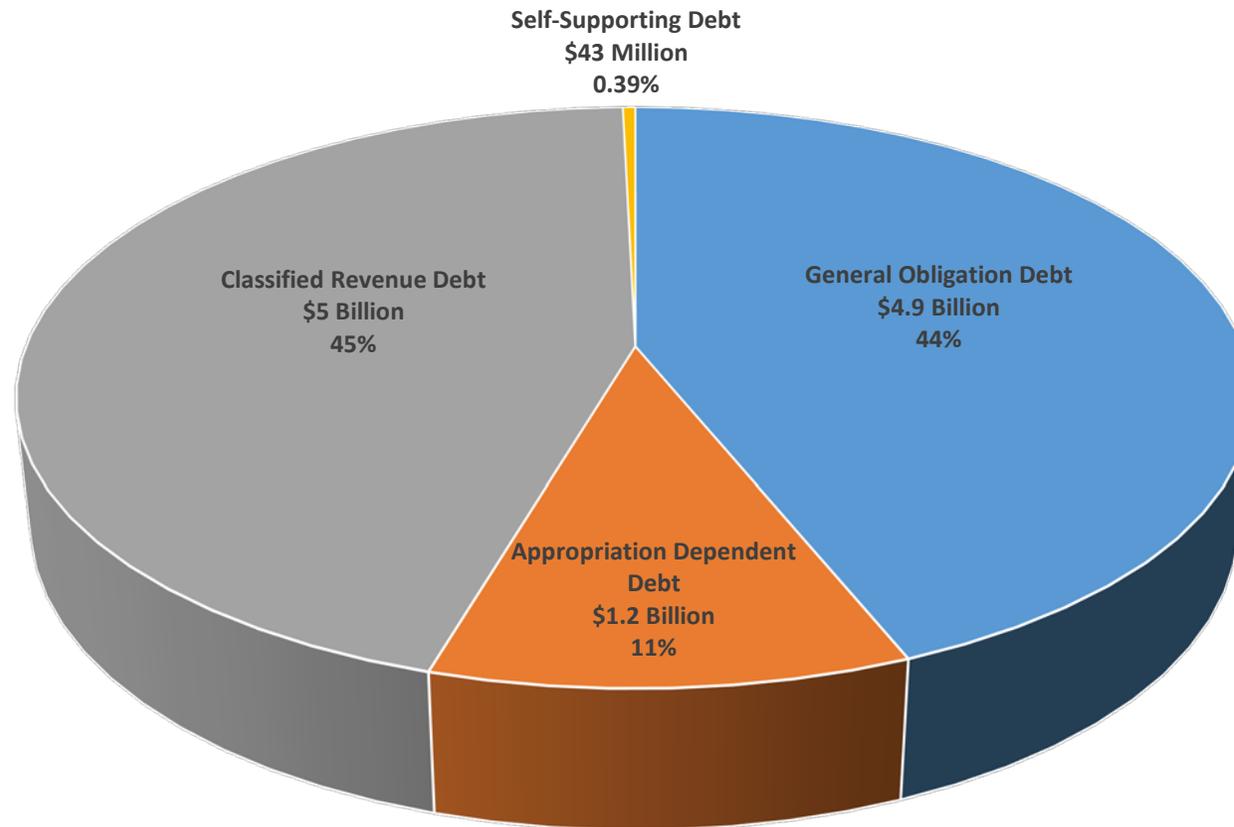


Total Debt Outstanding \$11.05 Billion

Includes General Obligation Debt paid from Bond Security and Redemption Fund, certain debt issued by various entities and secured by annual appropriations by the Legislature, and Revenue debt having specified/dedicated revenue source (Gas & Fuel Tax Bonds, Unclaimed Property Revenue Bonds, State Highway Improvement Bonds and Grant Anticipation Revenue Bonds).

Total Debt Outstanding

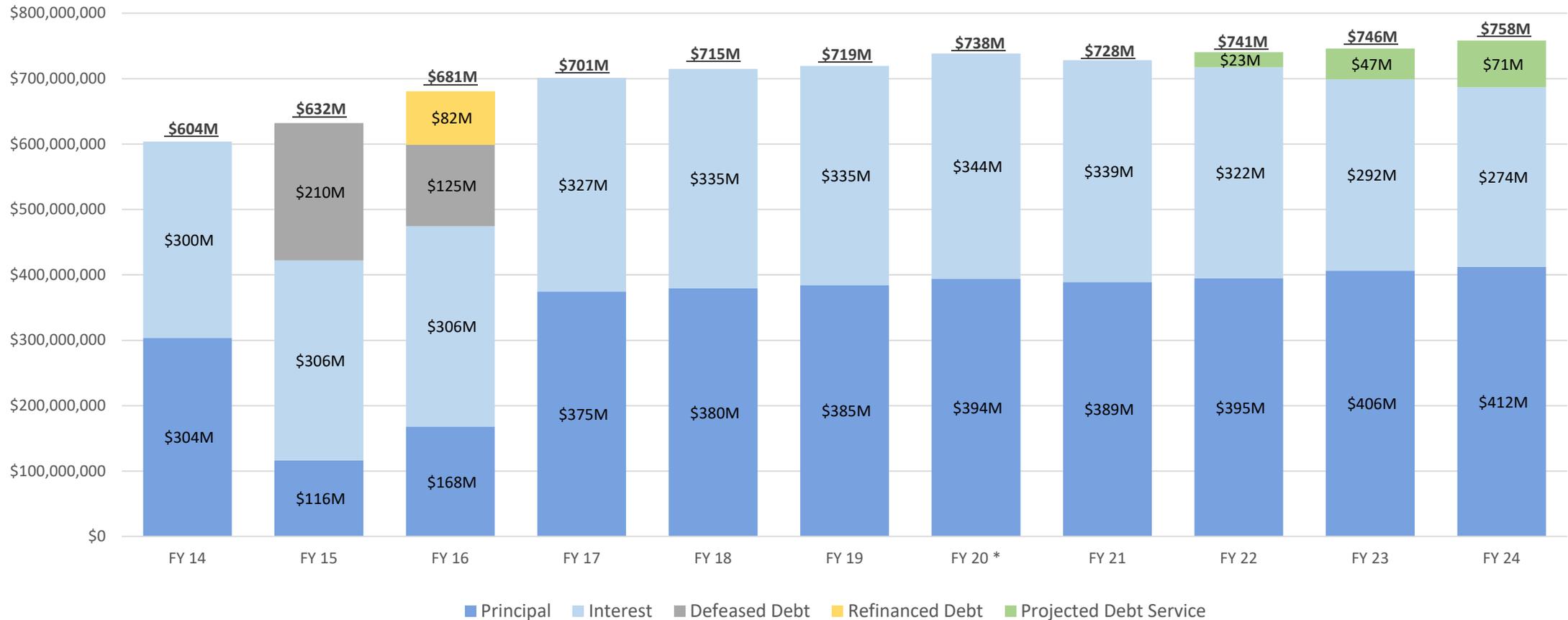
As of May 31, 2020



Total Debt Outstanding \$11.2 Billion

Includes General Obligation Debt paid from Bond Security and Redemption Fund, certain debt issued by various entities and secured by annual appropriations by the Legislature, and Revenue debt having specified/dedicated revenue source (Gas & Fuel Tax Bonds, Unclaimed Property Revenue Bonds, State Highway Improvement Bonds and Grant Anticipation Revenue Bonds).

Total Debt Service



- Reflects Actual debt service through December 31, 2019.
- Includes General Obligation Debt paid from Bond Security and Redemption Fund, certain debt issued by various entities and secured by annual appropriations by the Legislature, and Revenue debt having specified/dedicated revenue source (Gas & Fuel Tax Bonds, Unclaimed Property Revenue Bonds, State Highway Improvement Bonds and Grant Anticipation Revenue Bonds).
- Projected debt service assumes issuance of GO Bonds for \$350 M in Bond Proceeds annually.

Credit Ratings

	Moody's		S&P		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
General Obligation	Aa3	Stable	AA-	Stable	AA-	Stable
Gasoline & Fuels Tax Bonds						
1st Lien	Aa2	Stable	AA-	Stable	AA-	Stable
2nd Lien	Aa3	Stable	AA-	Stable	AA-	Stable
State Hwy Improvement Bonds	A1	Stable	AA-	Stable	AA-	Stable
Unclaimed Property Bonds	A1	Stable	A+	Stable		Did Not Rate
Grant Anticipation Revenue Bonds		Did Not Rate	AA	Stable		Did Not Rate