

NOTICE OF INTENT

Department of Treasury Bond Commission

Reimbursement Contract (LAC 71:III)

In accordance with the provisions of the Administrative Procedure Act, R.S. 49:950, et seq., the Department of the Treasury intends to amend the rule regarding reimbursement contracts, as follows.

The Omnibus Bond Authorization Act, in order to facilitate the funding of capital improvements by certain governmental units and political subdivisions of the state, has authorized the issuance of general obligation bonds contingent upon the applicable management board, governing body or state agency entering into and executing a reimbursement contract with the State Bond Commission pertaining to the reimbursement payments and reimbursement reserve account payments for such projects.

The execution of such reimbursement contracts does not in any way affect, restrict or limit the pledge of the full faith and credit of the state of Louisiana to the payment of the general obligation bonds issued pursuant to the authority of such act.

The state of Louisiana is obligated to the general obligation bondholder regardless of the existence of any reimbursement contracts between the state and any of its governmental units or political subdivisions, and likewise the governmental unit or political subdivision is obligated to make payment to the state of the money loaned under the reimbursement contracts, regardless of the current status of any general obligation bonds.

In some instances the prepayment of such reimbursement contracts can result in savings and/or other benefits to such governmental units and political subdivisions, and to that end a clear and orderly process for entering into and prepaying reimbursement contracts will benefit both the state and the governmental units and political subdivisions utilizing such tax-exempt funds by insuring that funds are handled in such a manner as to maintain the tax-exempt status of any bonds issued in connection with the transaction. Therefore, the following is the policy of the Department of the Treasury, office of the State Bond Commission, to be considered relative to reimbursement contracts.

Title 71

TREASURY

Part III. Bond Commission

1. Any governmental entity or political subdivision borrowing money from the proceeds of a state general obligation bond issue shall, at the time the money is borrowed from the state, enter into a reimbursement contract as provided in the Omnibus Bond Authorization Act pursuant to which the bonds were issued, which reimbursement contract shall provide for the terms and conditions under which these funds shall be repaid by the governmental entity or political subdivision. At the time a reimbursement contract is executed for the underlying tax-exempt obligation, an IRS Form 8038G or Form 8038GC shall be prepared by the Attorney General and shall be executed by the recipient of the bond proceeds.

2. Any governmental unit or political subdivision which has entered into a reimbursement contract shall be allowed to

prepay the reimbursement contract:

a. if the prepayment would result in a minimum net present value savings in accordance with schedule A hereto; or

b. if economic and administrative benefits accrue to the governmental unit or political subdivision as a result of the prepayment as may be reasonably determined by the staff of the State Bond Commission; or

c. a prepayment characterized as a current refunding shall be permitted in any case.

3. A governmental unit or political subdivision wishing to prepay a reimbursement contract shall make such request in writing to the office of the State Bond Commission. The staff shall determine the amount due for prepayment, including principal and interest due less the amount of any reimbursement reserves. No redemption premium shall be charged to prepay a reimbursement contract unless such premium is needed to pay a corresponding redemption premium to the state's bondholders within 90 days of such prepayment.

4. The staff of the office of the State Bond Commission shall then send written notification to the chief financial officer or other appropriate official for the entity requesting prepayment setting forth the amount owed for prepayment. Copies of the notice shall be forwarded to the fiscal officer of the Department of the Treasury, the attorney general, and the Division of Administration. The chief financial officer or other official to whom the notice is sent shall verify in writing that they concur with the figures submitted in the written notice.

5. If application is made to the State Bond Commission for the issuance of refunding bonds, the proceeds of which are to be used for the prepayment of a reimbursement contract, a copy of the notification submitted pursuant to Section 4 above must be attached to the application. Upon receipt of such an application, the state debt analyst shall be immediately notified. The total amount due in order to prepay the reimbursement contract must be verified by the state debt analyst and made a part of the file. Once the amounts have been verified the usual procedure for approval of bond applications shall be followed.

6. After the recipient's refunding bonds have been sold the applicant must contact the office of the State Bond Commission to arrange payment of the reimbursement contract. Prepayments must be accompanied by a certificate of the chief financial officer or bond counsel for the prepaying entity attesting to the correct arbitrage yield on the refunding bonds.

7. Upon delivery of the prepayment check, the state debt analyst shall fill out the parish and local government Reimbursement Contract Prepayment Receipt Log showing receipt of the money, where it is to be deposited and whether it is to be yield restricted to the rate of arbitrage yield certified to by the bond counsel for the prepaying entity (in the case of prepayments funded by a tax-exempt bond issue) or to the rate of the state bond issue (in the case of prepayments not funded with the proceeds of a tax-exempt bond issue, such as those funded from tax revenues or user fees). The proceeds received as prepayment of reimbursement contracts shall be deposited by the fiscal office, Department of the Treasury, into the state treasury in accordance with the designation shown on the form and shall be placed in the Capital Outlay Escrow Fund. Such funds shall be yield restricted as indicated above or yield reduction payments shall be made as necessary until such funds

prepayments.

II. ESTIMATED EFFECT ON REVENUE COLLECTIONS OF STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

State government would have increased revenue collections in the year of the prepayment and reductions in collections for the remaining years applicable to the individual debt. The effect would be the reverse for the government agencies choosing to prepay.

III. ESTIMATED COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS OR NONGOVERNMENTAL GROUPS (Summary)

It is impossible to determine which groups would choose to prepay.

IV. ESTIMATED EFFECT ON COMPETITION AND EMPLOYMENT (Summary)

There is no estimated effect on competition and employment.

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