



STATE BOND COMMISSION

DEPARTMENT OF TREASURY

February 16, 2023

3 Constraints to the Issuance of New GO Debt

1. 6% Constitutional Debt Limit

- Limits the amount of bonds that can be issued.
- Approximately \$675 M of proceeds can be raised annually.

2. Cash Lines of Credit Limit

- 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.
- SBC is limited under the law in the amount of cash lines of credit that can be authorized each fiscal year.
- In FY 2023, this limit is \$1.2 B.

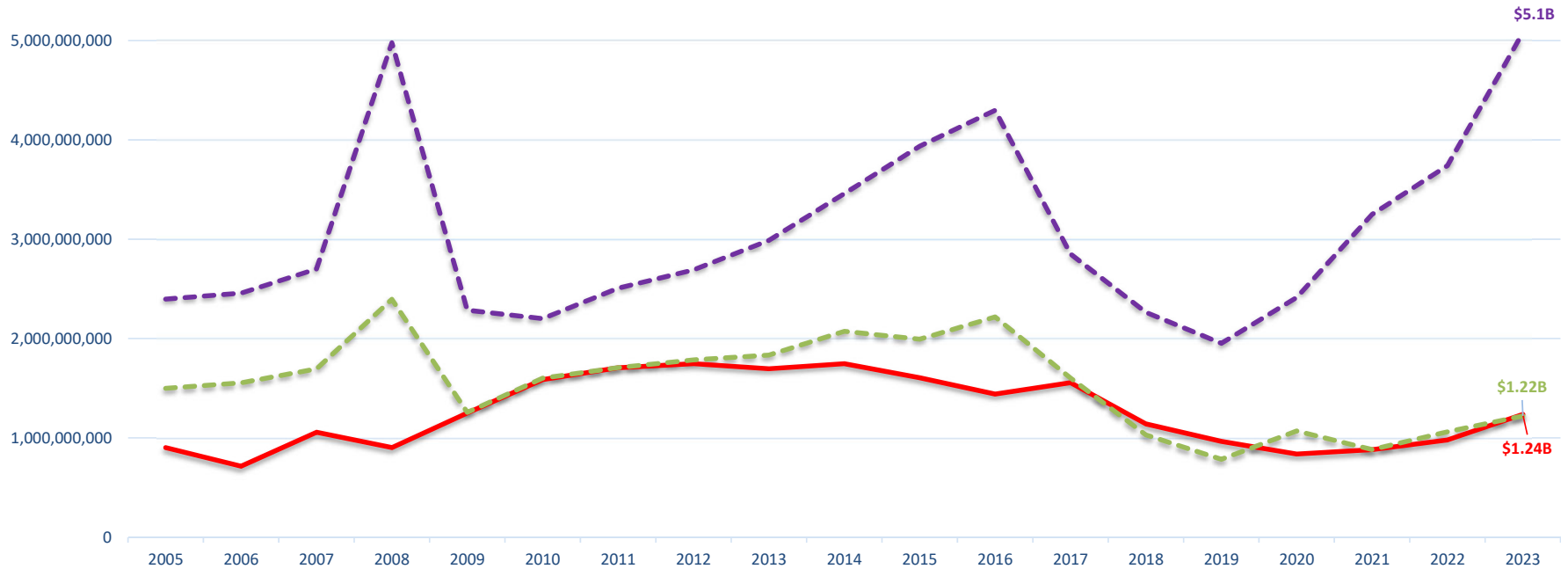
3. Operating Budget

- GO Debt service is among the state’s nondiscretionary fixed costs.
- In FY 2023 GO debt service is \$434 M.
- In FY 2024 GO debt service is projected to be \$437 M.

Net State Tax Supported Debt (NSTSD) Limitation Overview

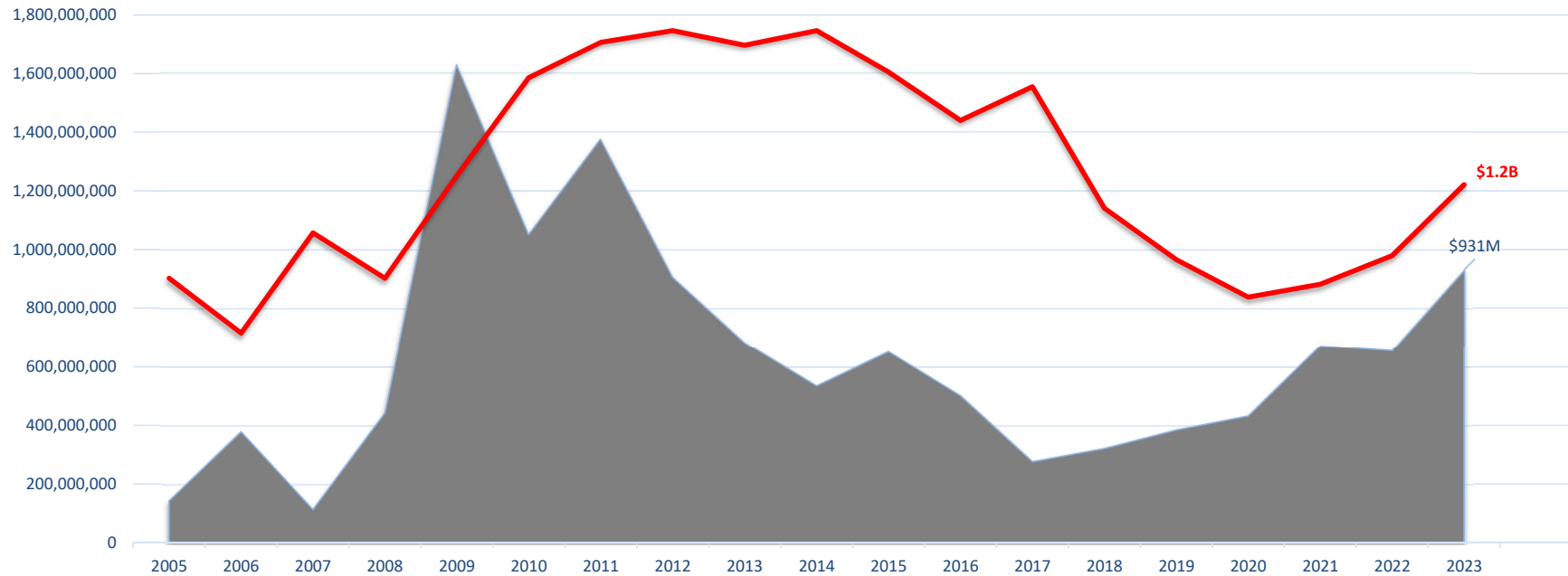
- Constitutional debt limit constrains the amount of debt that can be issued (“debt limit”). Debt service can be no more than 6% of the REC forecast revenues in any fiscal year.
- The 1st REC forecast of the fiscal year establishes the debt limit.
- The December 2022 REC forecast is applicable and will be until the REC adopts an official forecast in FY 2024.
- In order to determine the amount of bond proceeds that can be raised in any year and remain within the debt limit certain assumptions are made as to revenues beyond the REC forecast, interest rates and future issuances.
- Any changes in a variable affecting the projections will result in a change to the outcome. The projection model is revised as needed to account for any changes.
- Approximately \$675 M of proceeds can be raised annually.

Legislative Demand for New GO Bonds



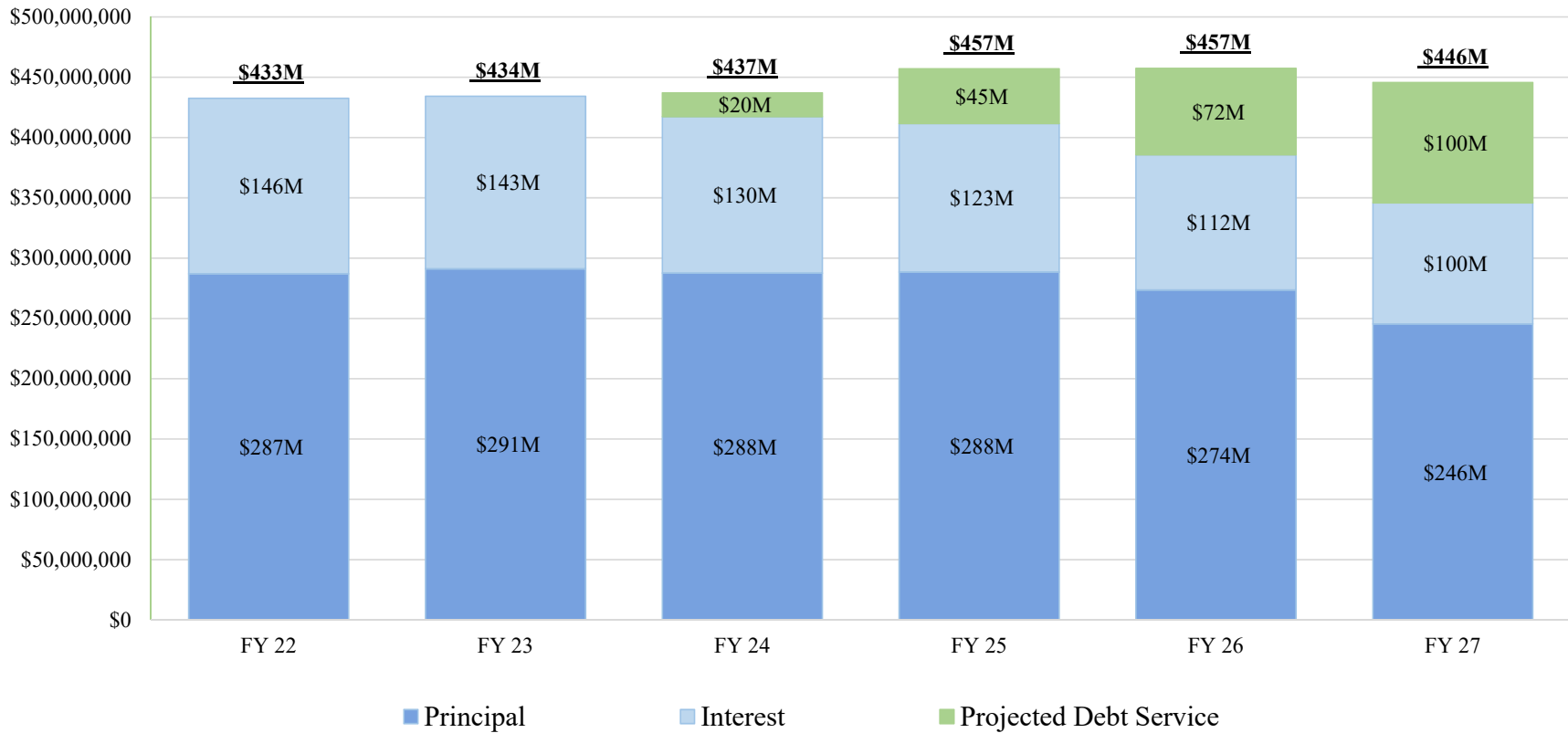
- The **red line** is the maximum amount of cash lines of credit that SBC is authorized to approve each fiscal year.
- The dotted lines are appropriations in the Capital Outlay bill; **green** is cash lines of credit and **purple** is cash and non-cash lines of credit.
- Of the \$5.1 B in total cash and non-cash lines of credit appropriated in HB2 SBC has approved \$4.8 B of which \$1.20 B were cash lines of credit.

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 23 balance is as of January 27, 2023.
- The red line represents the maximum amount of cash lines 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 increase in cash balance due to appropriated surplus dollars and proceeds from regular GO bond sales.

Effect of New GO Debt Cost on the Budget



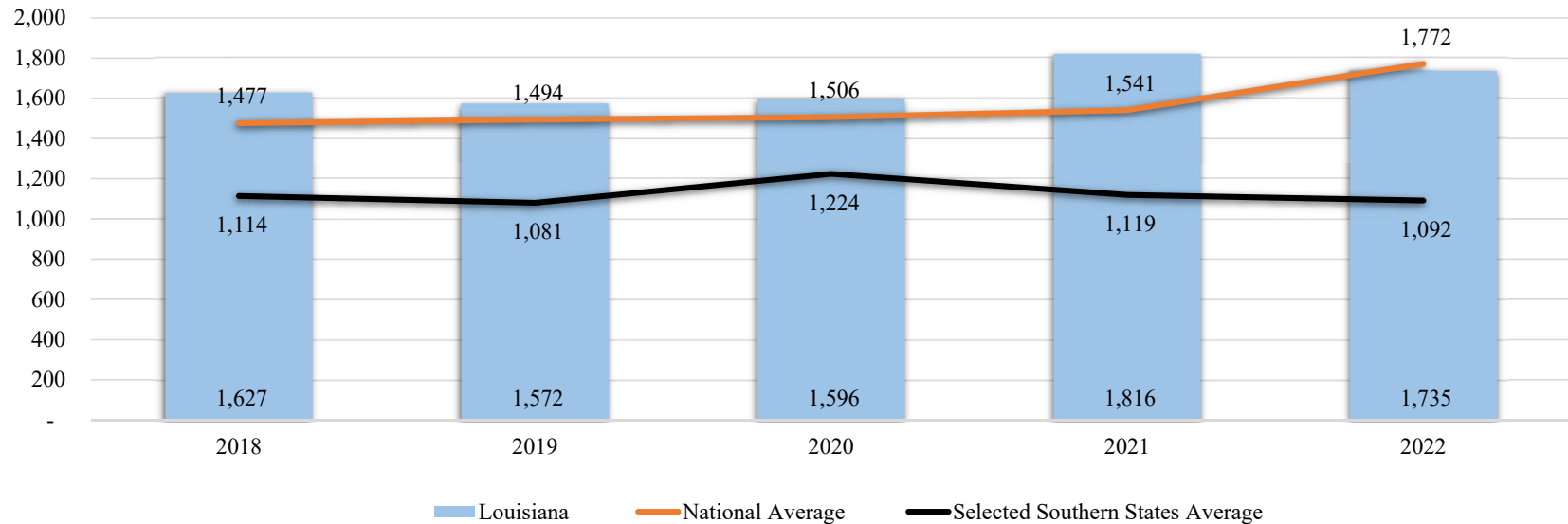
Projected debt service assumes cost of new GO Bonds to be issued in March/April in an amount of \$275 M and cost of new GO Bonds to be issued annually beginning in FY 24 in amount of not to exceed \$350 M to fund Capital Outlay Projects.

Debt Highlights

- **Moody's Per Capita Debt**
 - *Per Capita debt decreased by \$81 per person from \$1,816 in fiscal 2020* to \$1,735 in fiscal 2021**
 - *Decrease accounts for a population decline of 21,271; however was offset by a greater decrease in outstanding principal of \$411 M*
 - *Rank 15th in the nation*
 - *Fiscal 2020 per capita debt was revised (from \$1,591 reported last year to \$1,816) using Moody's new method of calculating state's long-term liabilities.*
- **Credit Ratings**
 - *Moody's upgraded the State's GO rating to Aa2 from Aa3 in May 2022.*
 - *S&P, and Fitch current GO Bond ratings is AA-*
 - *Stable Outlook by Moody's, S&P and Fitch*
- **FY 22 Debt Transactions**
 - *Nine completed, eight by SBC*
 - *Five refundings providing the State \$118 M in savings through maturity and \$93 M in present value savings*
- **FY 23 Debt Transactions**
 - *Five completed in FY 23 to date, three by SBC*
 - *Two appropriation dependent refundings providing \$2.7 M in savings through maturity and \$2.4 M in present value savings*
 - *Calendar year 2023 transactions: new GO Bonds, Gas & Fuels refunding, GARVEEs, and Deepwater Horizon TIFIA loan*

** Fiscal 2020 per capita was reported by Moody's in 2021 & reinstated in 2022. Fiscal 2021 per capita was reported in 2022 by Moody's.*

Per Capita Debt (Bonded Indebtedness)



Sources: Moody's Investors Service, Sector Profile - US State Liabilities Report

Note: Horizontal axis reflect dated year of Moody's report. Fiscal 2020 per capita reported in 2021 has been revised using Moody's new method of calculating state's long-term liabilities. Per capita metrics reported in 2022 are calculated using new methodology.

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

Moody's shifted their approach to calculating state's long-term liabilities to align with audited financial statements and their updated US States and Territories Methodology. Under the new methodology Moody's considers Louisiana's outstanding net tax-supported debt (NTSD) to include debt supported by statewide taxes (GO Bonds, Revenue Bonds & certain debt issued by various entities and secured by annual appropriation by the Legislature), GARVEE Bonds, Tobacco Settlement, certain notes and loans as reported in the ACFR, unamortized bond premiums/discounts and accreted interest.

Per Capita debt calculation only accounts for outstanding principal and does not account for any interest.

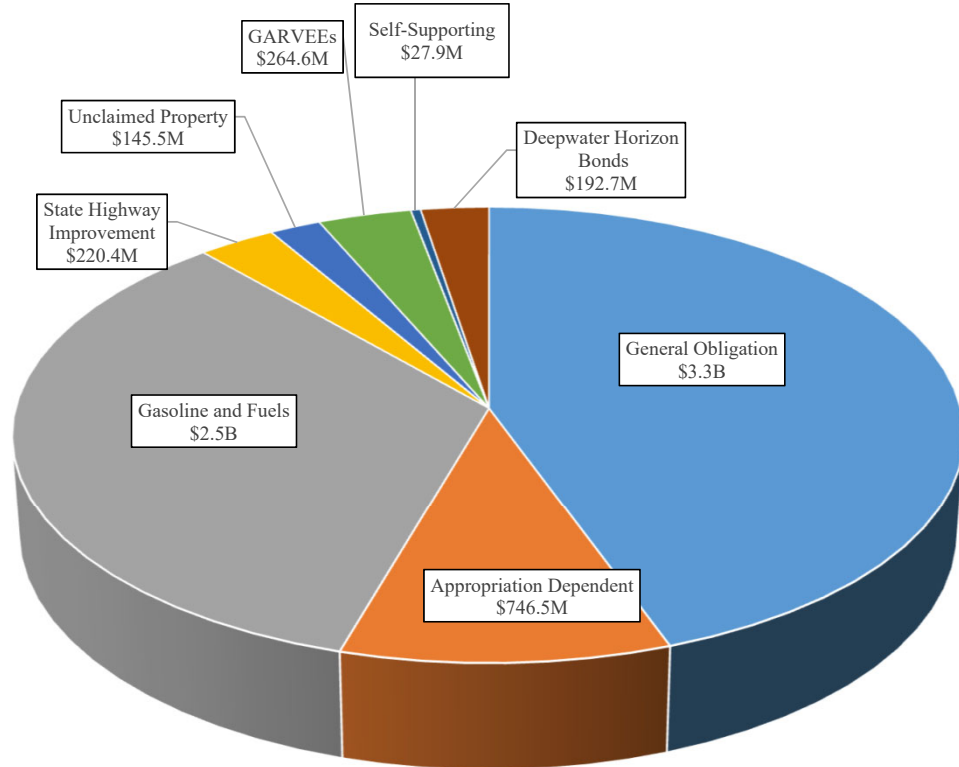
Louisiana's Credit Rating Compared to Other States

Aaa (15 States)	Aa1 (17 States)	Aa2 (10 States)	Aa3 (5 States)	A3 (1 State)	Baa3 (1 State)
Delaware	Alabama	California	Alaska	New Jersey	Illinois
Florida	Arizona	Hawaii	Connecticut		
Georgia	Arkansas	Kansas	Kentucky		
Idaho	Colorado	Louisiana	Pennsylvania		
Indiana	Massachusetts	Maine			
Iowa	Michigan	Mississippi			
Maryland	Montana	New Mexico			
Minnesota	Nebraska	Oklahoma			
Missouri	Nevada	Rhode Island			
North Carolina	New Hampshire	West Virginia			
South Carolina	New York				
South Dakota	North Dakota				
Tennessee	Ohio				
Texas	Oregon				
Utah	Vermont				
Virginia	Wisconsin				
Washington					

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

Principal Outstanding

As of December 31, 2022



\$7.4 billion Total Principal Outstanding

Gasoline & Fuels Variable Rate Bonds and Swaps

- \$423.445 million of variable rate bonds outstanding as of December 31, 2022.
- Variable rate bonds are hedged with multiple interest rate swap agreements to mitigate exposure to variable interest rates with respect to the bonds.
- State receives a variable rate from swap counterparty that offsets the variable rate paid on the bonds.
- State pays a fixed rate to swap counterparty.