



JOINT LEGISLATIVE COMMITTEE ON THE BUDGET

STATE CAPITOL
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REPRESENTATIVE CAMERON HENRY
CHAIRMAN

SENATOR ERIC LAFLEUR
VICE-CHAIRMAN

AGENDA

Monday, April 2, 2018
3:00 PM
House Committee Room 5

I. CALL TO ORDER

II. ROLL CALL

III. BUSINESS

1. Consideration of the Department of Transportation request for authority to take preliminary steps for the issuance of Grant Anticipation Revenue Vehicles (GARVEE Bonds) for certain specified projects, subject to final approval by the committee pursuant to R.S. 48:27(D)(1)(b).

IV. CONSIDERATION OF ANY OTHER BUSINESS THAT MAY COME BEFORE THE COMMITTEE

V. ADJOURNMENT

THIS NOTICE CONTAINS A TENTATIVE AGENDA AND MAY BE REVISED PRIOR TO THE MEETING.

Representative Cameron Henry, Chairman



Office of the Secretary
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John Bel Edwards, Governor
Shawn D. Wilson, Ph.D., Secretary

March 21, 2017

Chairman Cameron Henry
Joint Legislative Committee on the Budget
P.O. Box 94062
Baton Rouge, LA 70804

Chairman Eric J. Lafleur
Joint Legislative Committee on the Budget
P.O. Box 94183
Baton Rouge, LA 70804

RE: GARVEE Bond Approval

Dear Mr. Chairmen:

The subject of this letter is a follow up to the recent Joint Legislative Committee on the Budget (JLCB) hearing on February 22, 2018. At that meeting, DOTD provided information on the GARVEE Bond proposal and process with projects we are seeking to deliver with this innovative financing tool. At the request of Chairman Henry, this meeting was strictly for discussion and not approval. In an effort to produce these long overdue projects in a timely manner, and not hamper the procurement process, we are now seeking to move to the approval phase for JLCB as soon as possible.

As you know, R.S. 48:27 grants the legislature and DOTD the ability to use GARVEE bonds consistent with Federal guidelines that govern GARVEE. The state bond commission is the responsible entity for the issuance of the bonds on behalf of the state. The statute further provides an approval process for DOTD to be able to use the issuance of bonds for infrastructure projects. The following process below is outlined in law:

- R.S. 48:27(e) provides “the projects to be funded by the use of GARVEE bonds shall be approved by the House and Senate Transportation committees. “(Completed January 31, 2018)
- R.S. 48:27(D)(1)(b) provides for “the approval of the selected projects by the Joint Legislative Committee on the Budget.” (Being requested by this letter)
- R.S. 48:27(E) “establishes the State Bond Commission shall authorize the bonds by a resolution or resolutions adopted by the State Bond Commission.” (Requesting the addition of this subject matter to the Agenda for the April 19th Bond Commission meeting)

March 21, 2018

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After meeting with Chairman Henry on March 20, 2018, DOTD agrees to additional accountability measures in light of the fact that this is the first use of this tool by DOTD. These accountability measures are to ensure that House and Senate Transportation and JLCB review and concur with the final cost of each project before there is an issuance of bonds by the State Bond Commission. After the department finalizes the technicalities for project deliver with the USDOT, the process governing the subsequent GARVEE program would be as follows:

- Upon completion of the procurement process, DOTD will present to House and Senate Transportation and JLCB the final cost of each project.
- After concurrence of each project cost following procurement by JLCB, DOTD will then seek the issuance of bonds for each project from the State Bond Commission, according to the promulgated rules of the State Bond Commission.
- DOTD has also made clear its intent to provide quarterly updates after the award of each project to both Joint Transportation and JLCB and on the progression of each project.

Per our discussions with Chairman Henry, we have agreed to a special convening of the JLCB, by the 2nd week in April 2018, in order to allow the process to continue which allows DOTD to seek the approval of the State Bond Commission on their April 19, 2018 meeting.

It is important that I reiterate that the approval timeline outlined in this letter is critical to the procurement of these projects and not the bond issuance. DOTD is slated to issue an RFQ on both the Loyola Interchange and Barksdale Air Force Base Design-Build projects on April 20th. In the event, that DOTD has not received state level approvals, we will be forced to halt the procurement process. It is not feasible to ask industry to accelerate their proposal without negatively impact the cost and delivery. It is prudent that we not inappropriately continue to expend state funds and ask the private sector to do the same without assurance that the funding for these projects will be in place.

I appreciate your willingness to work with DOTD to move Louisiana's infrastructure system forward. If I can be of further service to you in this process, please don't hesitate to contact me.

In service,



Shawn D. Wilson, Ph.D.
Secretary

SDW:JH:rmv

GARVEE BOND OVERVIEW

1. What are GARVEE Bonds? A debt instrument that has a pledge of future **federal-aid funding**.
 - Issue bonds only as needed for selected projects
 - 12-Year repayment schedule on each issuance
 - LA RS 48:27 limits debt service to no more than 10% annual federal funds obligation authority
 - Can issue up to \$650 million in bonds

2. Why GARVEE Bonds?

- A. Urban Interstate construction phases difficult with pay-as-you-go
 - Magnitude of repairs
 - Maintenance of traffic
- B. Pay-as-you-go leads to peaks & valleys in Highway Program
 - Disproportionate share for a few urban Interstate projects
 - Corresponding reduction in other types of projects
- C. GARVEE Bonds smooth the annual financial impacts

3. Selected Interstate Projects:

I-10 reconstruction and widening in Baton Rouge (approximately \$360 - \$400 million)

- Capital Region Planning Commission: \$24 million in federal highway funds
- City of Baton Rouge/ Parish of E.B.R. \$12 million

I-10/Loyola Drive Interchange improvements in Kenner (approximately \$90 - \$125 million)

- Regional Planning Commission: \$12 million in federal highway funds
- Kenner, New Orleans, Jeff Ph., Airport: \$ 6 million

I-20 entrance into Barksdale Air Force Base (approximately \$80 - \$95 million)

- Northwest LA Council of Governments: \$12 million in federal highway funds
- Bossier City, Bossier Parish: \$ 6 million

Belle Chasse Bridge & Tunnel Replacement (not to exceed \$12.5 million)

- Regional Planning Commission: \$12 million in federal highway funds
- Local participation: Toll Revenue
- P3 Partner (DBFOM)

4. Impacts to Construction Program Lettings:

Fiscal Year	Regular Interstate	GARVEE Projects	Total Interstate	Non-Interstate Pavement
17-18	\$165.4 M	N/A	\$165.4 M	\$109.0 M
18-19	\$178.8 M	+ \$200 M	= \$378.8 M	\$122.0 M
19-20	\$ 84.5 M	+ \$175 M	= \$259.5 M	\$174.9 M
20-21	\$ 84.5 M	+ 0	= \$ 84.5 M	\$175.1 M
21-22	\$ 85.9 M	+ \$225 M	= \$310.9 M	\$177.1 M
22-23	\$ 87.8 M	+ 0	= \$ 87.8 M	\$180.2 M

5. Approval Process is in accordance with the Louisiana R.S. 48:27
 - a. The revenue anticipation bonds and the project must be approved by the House and Senate Committees on Transportation, Highways and Public Works. **(Completed)**
 - b. The revenue anticipation bonds shall not be issued without prior approval of the Joint Legislative Committee on the Budget. **(Scheduled for April 2)**
 - c. The State Bond Commission authorizes the issuance of bonds by the adoption of a resolution or resolutions. **(Proposed for April 19)**

6. Memorandum of Agreement (MOA) is negotiated with the Federal Highway Administration (FHWA) once the provisions of the Louisiana R.S. 48:27 are met. The MOA includes but is not limited to the follow provisions:
 - a. Identify the projects to be funding with the GARVEE.
 - b. Confirm the projects are in the Statewide Transportation Plan.
 - c. Ensure projects are federal-aid eligible and initiate approval for the projects approval as an advance construction project.
 - d. Execute a project agreement with FHWA to approve the projects for federal-aid reimbursement of debt service and/or related issuance cost in lieu of reimbursement for construction cost.
 - e. Identify the debt service schedule.

7. Project updates are provided to the House and Senate Committees on Transportation, Highways and Public Works, and the Joint Legislative Committee on the Budget as requested; and prior to bond issuance for each project.