



# State of Louisiana

Division of Administration

## Office of the Commissioner

**FOR IMMEDIATE RELEASE**

**Contact: Meghan Parrish, 225-342-7000**

### **Division of Administration Asks Legislators to Help Progress Bond Issue**

**BATON ROUGE** –Commissioner of Administration Kristy Nichols today sent a letter to Legislators asking for their help in urging the Treasurer to perform his duties as the Chairman of the Bond Commission.

The Commission unanimously approved a new money bond sale and a bond refunding October 16. Those transactions are now being threatened by Treasurer Kennedy's refusal to sign the official statement that will allow the rating agencies to provide ratings for the bonds.

The content of the letter is included below.

Dear Legislators,

At the October 16, 2014 Bond Commission meeting, the Commission unanimously approved a new money bond sale for \$200 million to finance critical projects across the state and a refunding bond issue that is expected to save Louisiana \$17 million in present value savings and \$7 million in the State General Fund in fiscal years 2015 and 2016. Those transactions are now being threatened by Treasurer Kennedy's refusal to sign the official statement that will allow the rating agencies to provide ratings for the bonds.

The state financial advisor agrees that the official statement should be sent to rating agencies by Monday, November 3 to ensure we meet the agreed upon timelines. If the Treasurer does not sign the statement by then, both the new money bond sale and the refunding will be in danger of being delayed.

Typically, the state financial advisor recommends against issuing bonds in December because the rating agencies will be awaiting the state's 2014 audit and will need the first half of January to review. It is possible funding in the capital outlay account will run out before a January sale date.

If the capital outlay fund is depleted before bonds are issued, critical capital outlay projects across the state will be delayed, including University Medical Center in New Orleans, LSU's Patrick Taylor Hall, the National World War II Museum, LSU Shreveport's Children's Hospital, and important water, fire and critical service upgrades.

Treasurer Kennedy voted to approve the sale and the refinance at the October 16 meeting. He also issued a press release the same day, touting the funding generated from the sale. "We approved funding that will repair schools, improve drinking water and enhance health care infrastructure, among other projects," said Kennedy. "We also continue to save money on interest."

However, a recent article in the Monroe News-Star quotes the Treasurer stating he will not authorize the bond issue. "Eventually, we have to have a bond issue," Kennedy said. "But my preference is not even to do a bond issue until the spring or summer. Why should we be paying interest before the money is needed?"

In the News-Star article, Kennedy proposes intra-fund borrowing as an alternative to issuing bonds in November, noting \$400 million currently in the account. However, at least half of that funding is not legally available for borrowing. Additionally, there is not yet a mechanism to allow intra-fund borrowing. The issue was discussed at the October 16 meeting where the Commission resolved to delay the use of intra-fund borrowing until more information on the potential consequences of intra-fund borrowing was presented.

I ask that you join me in urging the Treasurer to perform his duty as the Chairman of the Bond Commission and sign the official statement. Without this new funding, we will not be able to begin work on hundreds of approved projects. And projects that are already in progress will be in danger of being frozen in January.

Sincerely,

Kristy Nichols, Commissioner of Administration

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