

### **Cautionary Information**

The information below is not intended to create any ongoing commitment or obligation on the part of the State to disclose such information and should not be interpreted by investors as such. This information is subject to change without notice and only speaks as of its date. And, while it may be some time before the State can determine the full economic and financial impact of the COVID-19 pandemic, the State intends to file any appropriate reports on the EMMA system of the MSRB.

It is likely that the full financial impact of COVID-19 on the State, its economy, and its financial position and the future actions of the Organization of Petroleum Exporting Countries and other oil producing nations ("OPEC+") will change significantly as circumstances and events evolve. It is not possible at present to project with any reasonable degree of certainty the impact of such on State revenues, expenditures, reserves, budget or financial position.

This notice is not made in connection with a purchase or sale of any bonds and accordingly is not intended to contain all information material to a decision to purchase or sell bonds. Certain statements included or incorporated by reference in this notice constitute "forward looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "enable," "anticipate," "expect," "estimate," "project," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Additionally, COVID-19 is expected to adversely affect the state's future financial performance to an extent that could be material, and consequently, the information set forth in this filing should not be relied upon as indicative of future financial performance.

This notice also does not imply that there has been no change in any other information relating to the State. Data is subject to revision and reclassification for prior periods. This is particularly true for revenue data, where proper classification depends on tax returns which are received and processed significantly after the tax payments are received through electronic transfers. The State is not obligated to provide this information or make it available on its website.

### **State of Louisiana Update**

In response to the COVID-19 pandemic, national and State emergency declarations have been put in place, resulting in significant reductions in business, travel, and other economic activity. On March 11, 2020, Governor John Bel Edwards issued Proclamation Number 25 JBE 2020 which declared a public health emergency and empowered the Governor's Office of Homeland Security and Emergency Preparedness and the Louisiana Secretary of the Department of Health and Hospitals and other State health officers to take all actions authorized under State law to respond to the public health emergency. On March 13, 2020, in Emergency Proclamation Number 27 JBE 2020, he supplemented the measures with additional restrictions, suspensions of deadlines and regulations in order to protect the health and safety of the people of Louisiana. On March 22, 2020, in Proclamation Number 33 JBE 2020, the Governor issued a Stay at Home order that, among other things, ordered the people of Louisiana to stay at their homes unless taking essential trips or to travel to or from a place of employment, ordered some non-essential businesses to be closed, and placed limitations on other businesses that were allowed to remain open. This order was extended to April 30, 2020 in Proclamation Number 41 JBE 2020 and was further extended until May 15, 2020 in Proclamation Number 52 JBE 2020. Pursuant to Proclamation Number 58 JBE 2020, he issued an order providing for a Phase I of recovery on May 15, 2020 which tracks the guidelines of the White House Coronavirus Task Force. All Proclamations, Executive Orders and Emergency Orders related to COVID-19 are available on the following website: <https://gov.louisiana.gov/coronavirus>.

The United States Internal Revenue Service announced on March 21, 2020 that the deadline for filing federal income tax returns is being extended from April 15, 2020 to July 15, 2020 and that tax payments otherwise due on April 15 will not be due until July 15. The Louisiana Department of Revenue adopted the federal deadlines and due dates for State income and corporate tax returns and payments , and also extended deadlines for certain other state taxes. A summary of these actions is available on the following website: <https://revenue.louisiana.gov/NewsAndPublications/COVID19LouisianaStateTaxFilingAndPaymentExtensions>. And also, during the period of extension, no penalties will be incurred and no interest will accrue for payments otherwise due.

Additionally, in March, the negative economic impact of the COVID-19 pandemic was exacerbated by disputes among OPEC+ regarding their agreed production rates that contributed to a significant oversupply in crude, resulting in a sharp decline in, and increase in the volatility of, crude oil prices. Ongoing uncertainty surrounding the COVID-19 pandemic and its impact on demand for petroleum products and future production decisions by oil-producing nations continue to cause volatility and negatively impact global equity, debt and commodity markets. Additionally the pandemic and the emergency responses have also resulted in closures of restaurants, bars, malls, theatres, casinos and other businesses, reductions in travel and cancellations of numerous events as well as reduced business demand, worker layoffs, furloughs, and reductions in hours, and supply shortages.

Because the effects of COVID-19 essentially started within the past two months and the duration of the breadth of the effects of COVID-19 are not yet known, the total economic impact on the State including General Fund tax collections and General Fund cash flows for fiscal years 2020 and 2021 cannot be determined with certainty at this time.

#### General Fund Update

On May 11, 2020, the Revenue Estimating Conference (“REC”) met and adopted a revised revenue forecast for Fiscal Years 2020 through 2024. The revisions incorporate the estimated impact of reduced economic activity due to the COVID-19 pandemic, developments in the oil and gas sector, and actual collections data from prior months through April 2020. The enacted Fiscal Year 2020 state budget was based on the REC forecast adopted on April 10, 2019 (the “Baseline Forecast”). The REC met in December 2019 and January 2020, but no action was taken on the official forecast. Both the May 11 forecast and the Baseline Forecast may be viewed in full at the official website of the Legislature Fiscal Office, <http://lfo.louisiana.gov/rev> under the caption entitled “Official Revenue Estimates”. Data regarding actual net tax receipts is available at <https://revenue.louisiana.gov/NewsAndPublications/Publications>. Actual collections, prior forecasts, and revised forecasts for the major General Fund tax revenue categories are summarized in Table 1 below:

TABLE 1									
MAJOR TAX REVENUES (ACTUAL AND FORECAST) (in millions)									
State General Fund Direct <sup>1</sup>									
	Actual					REC Forecast <sup>2</sup>			
	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20 Baseline Forecast 4/10/2019	FY 20 Revised Forecast 5/11/2020	FY 21 Baseline Forecast 4/10/2019	FY 21 Revised Forecast 5/11/2020
<b>Sales Tax (General &amp; Vehicle)</b>	\$3,097	\$3,348	\$4,356	\$4,390	\$3,910	\$3,930	\$3,753	\$3,980	\$3,602
<b>Individual Income</b>	\$2,886	\$2,878	\$2,960	\$3,269	\$3,719	\$3,513	\$3,730	\$3,611	\$3,646
<b>Mineral Revenue</b>	\$997	\$580	\$512	\$612	\$706	\$734	\$552	\$767	\$331
<b>Gaming<sup>3</sup></b>	\$887	\$906	\$894	\$890	\$898	\$895	\$668	\$890	\$660
<b>Corporate</b>	\$300	\$249	\$388	\$478	\$631	\$400	\$468	\$400	\$423
<b>State General Fund</b>	\$8,432	\$7,897	\$9,427	\$9,886	\$10,041	\$9,725	\$9,593	\$10,044	\$9,139
<sup>1</sup> Budgetary-basis State General Fund. Excludes various funds included in GAAP-basis General Fund, including various revenues dedicated by law.									
<sup>2</sup> Revenue Estimating Conference									
<sup>3</sup> Gaming revenues include Lottery, Land-based Casino, Riverboat Casinos, VideoPoker machines and Racetrack Slots									

The revised forecast reflects a negative and uncertain outlook. Even in normal times, tax collections remitted to the state are delayed compared to the timing of the economic activity subject to taxation. As a result, the latest tax collections data provide very limited information regarding the impact of the pandemic or the decline in oil prices. The extension of payment deadlines in response to the COVID-19 pandemic has further delayed collections. The REC is expected to convene again before the end of the current fiscal year.

In total, the forecast for State General Fund (“SGF”) revenues for the current fiscal year ending June 30, 2020 was revised downward by \$132 million from the Baseline Forecast, which is a decline of \$448 million, or 4.5%, from Fiscal Year 2019 actual collections. For Fiscal Year 2021, the forecast was revised downward by \$905 million from the Baseline Forecast, a year-over-year decline of \$454 million, or 4.7%, compared to the newly revised forecast for Fiscal Year 2020. As seen in Table 1, downward revisions were particularly large in certain revenue categories, including sales taxes, mineral revenues (which include severance taxes and royalties), and various gaming revenues.

Although revenue forecasts were revised downward for most tax categories, personal income and corporate tax forecasts were increased to reflect current collections since the Baseline Forecast was adopted over a year ago. In the case of the corporate franchise and individual income taxes, the Federal Tax Cuts and Jobs Act of 2017 ("TCJA") resulted in an expansion of the Louisiana taxable state tax bases, and the significant revenue impact of this change was still unclear when the Baseline Forecast was adopted. As seen in Table 1, actual Fiscal Year 2019 Individual Income Tax collections grew by 13.8% compared to Fiscal Year 2018, exceeding the Baseline Forecast. Since the expansion of the tax base due to the TCJA remains in effect, the May 11 REC official forecast raised the individual income tax forecast by \$217 million for Fiscal Year 2020 to reflect the combined effect of the TCJA and the dramatic increase in unemployment that began in late March 2020. For Fiscal Year 2021, the individual income tax forecast was increased by \$35 million, reflecting the continuation of both of those effects. The forecast revisions also reflect estimates of revenue from the taxation of state and federal unemployment compensation payments including supplemental unemployment payments authorized by the Cares Act. After the May 11 forecast revisions, individual income tax revenues for the current fiscal year are projected to be approximately equal to the actual collections of the prior year, and Fiscal 2021 revenues are projected to decline by approximately 2% compared to the current year. Tax payments delayed to July as a result of COVID-19-related deadline extensions will be accrued to Fiscal Year 2020.

Similarly, the forecast for the corporate tax was also revised upward to reflect the combined effect of TCJA, recent economic developments, and actual Fiscal Year 2019 collections that were stronger than the Baseline Forecast. The corporate tax forecast was increased by \$68 million for Fiscal Year 2020 and by \$23 million for Fiscal Year 2021. The May 11 REC forecasts that corporate tax revenues are projected to fall by approximately 26% in Fiscal Year 2020 and 10% in Fiscal Year 2021 compared to the prior year.

### **General Fund Fiscal Year 2021**

The 2020 Regular Session of the Legislature (the "2020 Regular Session") convened on March 9, 2020 (which session was interrupted due to the Stay at Home Order), and will adjourn no later than June 1, 2020, to, among other things, consider the adoption of the Fiscal Year 2021 budget. As required by the State Constitution, the budget must be balanced.

### **Cash and Liquidity**

The State manages periods of actual or projected temporary cash flow shortfalls in the General Fund by borrowing from available balances in other legally authorized funds, which is known as "*Inter-fund Borrowing*". Inter-fund Borrowing addresses temporary mismatches between the timing of receipts and disbursements in the General Fund within a fiscal year.

At the end of Fiscal Year 2019, the State General Fund had a positive cash position of \$243 million, an improvement over the modestly negative General Fund cash position of (\$13) million at the end of Fiscal Year 2018. During Fiscal Year 2019, the weakest General Fund month-end position was as of March 31, 2019, at which point the General Fund was in a borrowed position of (\$611) million. As of March 31, 2020, the General Fund had a negative cash position of (\$323) million.

As of April 30, 2020, the State General Fund was in a negative position of (\$138) million, compared to a positive position of \$144 million a year earlier. After giving effect to Interfund Borrowing, the remaining funds available to borrow as of April 30, 2020 totaled \$1.99 billion. These figures do not include the federal funds of \$1.8 billion received by the State under the CARES Act.

