



LOUISIANA DEPARTMENT OF THE TREASURY

John Kennedy, State Treasurer

www.LATreasury.com Twitter@latreasury

PRESS RELEASE

FOR IMMEDIATE RELEASE
July 28, 2011

Contact: Jason Redmond, (225) 342-0012
jredmond@treasury.state.la.us

Louisiana Bondholders and Taxpayers Protected From Default *Kennedy Says Special Fund in Treasury Ensures Louisiana Bond Payments Are Secure*

BATON ROUGE, LA - The United States Government may or may not default on its debt, but Louisiana bonds are safe, thanks to the state's Bond Security and Redemption Fund (BSRF), according to State Treasurer John Kennedy.

"Louisiana is unique in that it is the only state in the nation with a Bond Security and Redemption Fund," says Treasurer Kennedy. "It provides certainty to investors that we are serious about paying our debt and that we are true to our commitments."

The BSRF was originally created in statutes in Act 112 of the 1960 Legislature, and in 1975 the BSRF was granted constitutional status. The law basically says that all State Treasury receipts, minus a few statutorily mandated exceptions, must first flow into the BSRF to pay debt before anything else.

"In the simplest terms, the holders of Louisiana bonds have first dibs on state revenue before any other item in state government can get paid," says Treasurer Kennedy. "The BSRF provides security to the holders of the state's full faith and credit general obligation bonds."

From a legal, rating agency and investment perspective, the BSRF effectively provides that bondholders have a first lien on virtually all revenues of the state. This guarantees that their principal and interest payments stand in front of all other creditors or lien holders.

"We don't know what is going to happen at the federal level over the course of the next few days," continues Treasurer Kennedy. "Regardless of the outcome, the citizens of Louisiana can be assured with certainty that we can and will meet our obligations to bondholders."

The BSRF benefits more than just bondholders investing in Louisiana, however. Taxpayers are saved millions because it insures a higher credit rating for the state. The higher the credit rating, the lower the cost of financing when the state sells GO bonds and other appropriation backed debt.

###

State Capitol, 3rd Floor Baton Rouge, Louisiana 70802 P.O. Box 44154, Baton Rouge, Louisiana 70804
Phone: (225) 342-0010 Fax: (225) 342-0046
www.LATreasury.com Twitter: @latreasury