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JUL 30 2003
Opinion Number 03-0189

Honorable Hayward D. McCormick
Town of Vivian
P.O. Box 832
Vivian, LA 71082

71 Municipalities
Article 7, Section 8 of the Louisiana Constitution
Article 7, Section 14 of the Louisiana Constitution

Town of Vivian cannot co-sign or guarantee a
bank note without prior, written approval of State
Bond Commission.

Dear Mayor McCormick:

The Town of Vivian is entering into a cooperative economic development agreement. One of the parties to the agreement has asked that the town co-sign or guarantee a bank note on their behalf. You question if the town may legally do so.

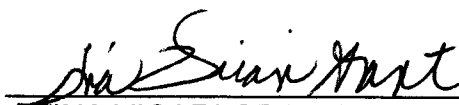
You do not question the validity of the co-op and we will assume, therefore, that the co-op complies with the applicable statutes. Article 7, Section 8 of the Louisiana Constitution mandates that a political subdivision of the state obtain written approval of the State Bond Commission before it can incur any type of debt or financial obligation. Thus, the town cannot co-sign or guarantee a bank note, i.e. incur debt, without prior, written approval of the State Bond Commission. We recommend that you contact the Bond Commission for further instruction.

We also note that Article 7, Section 14 of the Louisiana Constitution prohibits the state or one of its political subdivisions from donating, loaning or pledging public funds. This article is violated when the state or a political subdivision of the state gives up something of value when it is under no obligation to do so. Unless the co-op creates an obligation for the Town to do so, such a guarantee may violate Article 7, Section 14. Again, however, we are not opining on the content or validity of the co-op.

With kindest regards,

Yours very truly,

RICHARD P. IEYOUNG
Attorney General

BY: 
TINA VICARI GRANT
Assistant Attorney General

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