

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 654** HLS 17RS 1166

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> May 22, 2017	8:56 AM	<b>Author:</b> REYNOLDS
<b>Dept./Agy.:</b> Executive Dept./GOHSEP		<b>Analyst:</b> Zachary Rau
<b>Subject:</b> Surcharges for Certain Insurance Premiums		

FUNDS/FUNDING

OR INCREASE SD EX See Note

Page 1 of 2

Levies an insurance surcharge and dedicates the revenue to the Emergency Management Assistance Trust Fund

Proposed law levies a \$3 annual surcharge on all homeowner's, mobile homeowner's, tenant homeowner's, and condominium unit owner's insurance policies issued or renewed on or after July 1, 2017. Proposed law levies a \$5 annual surcharge on all condominium unit owner's, commercial fire, commercial multiple peril, and business owner's property insurance policies issued or renewed on or after July 1, 2017. Proposed law requires insurers to collect the surcharge and remit it electronically to the LA Dept. of Revenue. Proposed law authorizes LDR to collect, administer, audit, and enforce the surcharge. Proposed law creates the Emergency Management Assistance Trust Fund ("fund") and directs that revenues collected from the surcharge be deposited into the fund, and dedicates its use to the Governor's Office of Homeland Security & Emergency Preparedness. Proposed law further provides that, to the extent possible, GOHSEP pass revenues from the fund through to local governing authorities for the purpose of hiring a full-time emergency management director position. Proposed law authorizes GOHSEP and LDR to enter into agreements regarding collection of the surcharge. Proposed law authorizes LDR to promulgate rules to administer proposed law in consultation with GOHSEP.

<b>EXPENDITURES</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>						

  

<b>REVENUES</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

Proposed law will increase SGF expenditures by an estimated \$393,708 for the LA Dept. of Revenue in FY 18 and by \$69,708 in subsequent fiscal years. Additionally, the proposed law will increase expenditures for the Governor's Office of Homeland Security & Emergency Preparedness (GOHSEP) through the statutorily dedicated Emergency Management Assistance Trust Fund ("fund") by an indeterminable amount beginning in FY 18 and in subsequent FYs.

The proposed law creates the fund, provides for a funding source through surcharges on insurance policies (See Revenue Explanation) that will likely yield significant revenues, and dedicates the fund solely for the use of GOHSEP, further providing if adequate revenues are deposited into the fund that they be used to hire an emergency manager in each parish. GOHSEP reports that it anticipates withholding approximately 5% of monies deposited into the fund for its ongoing operating expenses. Proposed law does not appear to explicitly provide for the operating expenses of GOHSEP, but does state that funds are available to be used solely by that agency and to the extent sufficient funds are available that every parish can hire a full-time, dedicated emergency preparedness director position.

GOHSEP further indicates that expenditures associated with proposed law will be defined by administrative rule. **(See Expenditure Explanation cont. on Pg. 2)**

**REVENUE EXPLANATION**

Proposed law will increase revenues for the statutorily dedicated Emergency Management Assistance Trust Fund ("fund"), a new fund created by provisions of proposed law for use by the Governor's Office of Homeland Security & Emergency Preparedness (GOHSEP), by an indeterminable, though likely significant amount. The fund will receive revenues via annual surcharges paid by consumers holding the following types of insurance policies issued on or after July 1, 2017: homeowner's, mobile homeowner's, tenant homeowner's, condominium unit owner's, commercial fire, commercial multiple peril, and business owner's property.

All residential insurance policies outlined in proposed law (homeowner's, mobile homeowner's, tenant homeowner's, condominium owner's) are subject to an annual surcharge of \$3 that is deposited in the fund. Based upon US Census data from July 2015, there are approximately 2.02 M households (defined as houses, apartments, mobile homes, a group of rooms, or a single room intended for occupancy) in LA. To the extent all 2.02 M households have policies that are subject to the \$3 surcharge, maximum revenues of approximately \$6.06 M (\$3 \* 2.02 M households) would be available for deposit in the fund, though actual collections are dependent upon the number of households holding active policies statewide, and would likely be less than the potential maximum.

All commercial policies outlined in proposed law (commercial fire, commercial multiple peril, and business owner's property) are subject to a \$5 surcharge. Based upon US Census data from July 2012, 414,291 firms filed tax returns in Louisiana. To the extent each of these firms holds a commercial policy and is subject to the annual \$5 surcharge, a maximum of approximately \$2.07 M in revenues would accrue to the fund. **(See Revenue Explanation cont. on Pg. 2)**

Senate  
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}  
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House  
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}  
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

*Evan Brasseaux*  


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**Staff Director**

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**CONTINUED EXPLANATION from page one:**

**(Expenditure Explanation cont. from Pg. 1)** Proposed law will increase SGF expenditures for LDR by \$393,708 in FY 18 and by \$69,708 in subsequent fiscal years. The initial cost in FY 18 contemplates the hiring of a revenue tax specialist with total salary and related benefits of \$69,708 and a one-time expense of \$324,000 to develop, design, and test a tax return form for insurance companies to remit revenues derived from surcharges on insurance policies. The revenue tax specialist will assist insurance companies with filing of the surcharge returns, as well as fulfill audit and enforcement activities outlined in proposed law.

In addition, the LA Dept. of Treasury will incur SGF costs related to the creation of a new statutory dedication, including fund accounting, financial reporting, banking and custodial functions. These costs are typically small for individual statutory dedications (likely to be several thousands of dollars) and are typically absorbed within existing resources until cumulative additional dedications necessitate that increased resources be provided. At the point additional resources are necessary, the Treasury reports it will require one additional T.O. position with total personal services costs of approximately \$71,000 as well as one-time costs associated with acquisition of office equipment at approximately \$2,450.

**(Revenue Explanation cont. from Pg. 1)** However, for reasons similar to policies subject to the \$3 annual surcharge, actual collections based upon commercial policies are dependent upon the number of firms operating in LA and holding active policies, and would likely be less than the potential maximum.

As a result, the fund will likely receive significant revenues that are dependent upon the amount of active insurance policies enumerated in proposed law statewide.

Senate

Dual Referral Rules

House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

*Evan Brasseaux*

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**Staff Director**