

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 703** HLS 18RS 1062
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 2, 2018 7:32 AM **Author:** GISCLAIR
Dept./Agy.: DOTD **Analyst:** Alan M. Boxberger
Subject: LA 1 Improvement Project Account

FUNDS/FUNDING EG -\$15,000,000 GF RV See Note Page 1 of 2

Increases the amount dedicated for deposit into the Unclaimed Property Leverage Fund and establishes the LA 1 Improvement Project Account with the fund

Proposed law creates the LA 1 Improvement Project Fund and provides that each fiscal year beginning in FY 21, after satisfaction of the requirements of Subsections (A) through (C) of La R.S. 9:165.1, the state treasurer shall deposit \$15 M into the fund; allows other monies to be deposited into the fund; provides for allowable uses; provides that all unexpended and unencumbered monies in the fund at the end of the fiscal year shall remain in the fund and interest earned credited to the fund; authorizes the State Bond Commission to issue unclaimed property bonds for the LA 1 Improvement Project; limits bond payments securitized by the LA 1 Improvement Project Fund to a maximum of \$15 M annually; and provides for nullification of proposed law in the event bonds are not sold by 12/31/21.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0				\$0

REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	(\$15,000,000)	(\$15,000,000)	(\$15,000,000)	(\$45,000,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$15,000,000	\$15,000,000	\$15,000,000	\$45,000,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

Proposed law would revise the flow of certain unclaimed property collections within the state's accounting system beginning in FY 21. Proposed law directs the state treasurer to deposit \$15 M each fiscal year from proceeds from the sale of abandoned property into the newly created LA 1 Improvement Project Fund. This portion of unclaimed property proceeds currently flows into the SGF and provides for general operations of state government.

Proposed law provides that monies deposited into the LA 1 Improvement Project Fund may be used by the State Bond Commission to issue unclaimed property bonds for the LA 1 Improvement Project. Proposed law provides that cash and/or bond proceeds shall be used by DOTD exclusively to match funding from any source for the costs for and associated with construction of the LA 1 Improvement Project from Golden Meadow to Leeville in southern Lafourche Parish. The current total cost estimate for the LA 1 Improvement Project is \$360 M. For illustrative purposes, assuming an allocation of federal funds were available for the project, the typical match rate of 80/20 would require a state investment of approximately \$72 M to match \$288 M in federal monies. Any such allocation of federal funds would require modification of the scheduled projects in the existing Highway Priority Program. Alternative federal allocations or earmarks could potentially become available that may require varying match rates. If bonds are not sold by 12/31/21, the provisions allowing for issuance of unclaimed property bonds shall become null, void and of no effect on 1/1/22.

Proposed law authorizes the State Bond Commission to issue unclaimed property bonds payable from unclaimed property receipts classified to the LA 1 Improvement Project Fund pursuant to R.S. 9:165 (see *NOTES 1 and 2 below*). To the extent the Bond Commission were to issue revenue bonds, the state would realize attendant costs related to the issuance of bonds including bond attorneys, underwriters, underwriters' discount, rating experience, bond insurance, etc., as well as post-issuance compliance (arbitrage calculations, continuing disclosure, etc.). Proposed law is permissive with respect to issuing bonds.

NOTE 1: In FY 16, gross Unclaimed Property collections were approximately \$87.7 M. Roughly \$50 M of this amount generally reverts to the SGF for appropriation when property owners do not timely claim owned assets. Of this amount, \$15 M is currently obligated to I-49 and any obligated bond payments. Proposed law would obligate approximately \$30 M of the \$50 M currently recognized by the REC (the existing \$15 M for I-49 and the proposed \$15 M for the LA 1 Improvement Project). Proposed law prioritizes funding the I-49 North and South Accounts of the Unclaimed Property Leverage Fund prior to deposit of \$15 M into the newly created LA 1 Improvement Project Fund. The I-49 accounts are associated with existing state bond debts. To the extent that total unclaimed property collections may fall below \$30 M in any fiscal year, either through lower unclaimed property returns to the state, or enhanced identification, notification and

SEE EXPENDITURE EXPLANATION CONTINUED ON PAGE 2

REVENUE EXPLANATION

Proposed law will divert unclaimed property revenue deposits from the SGF into the statutorily dedicated Unclaimed Property Leverage Fund beginning in FY 21. For informational purposes, the existing REC forecast projects excess revenue from unclaimed property in FY 19 at \$50 M. Of this amount, \$15 M is transferred into the Unclaimed Property Leverage Fund for projects associated with I-49 North and South. Proposed law would transfer an additional \$15 M from the SGF into the newly created LA 1 Improvement Project Fund for specified purposes.

Senate Dual Referral Rules
 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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CONTINUED EXPLANATION from page one:

EXPENDITURE EXPLANATION CONTINUED FROM PAGE 1

return of monies to the proper owners, the state could be required to divert alternate fiscal assets (assumed to be SGF) to pay for any debt obligations undertaken for the LA 1 Improvement Project.

NOTE 2: Present law provides for the deposit of proceeds from the sale of abandoned property and requires that \$15 M of this amount be deposited each year into the Unclaimed Property Leverage Fund for bonds and direct payments of highway construction costs for projects on I-49. R.S. 9:165.1(J) stipulates that when any bonds shall have been issued hereunder, neither the legislature, the commission, nor any other entity may discontinue or decrease the revenues pledged to the payment of the bonds authorized hereunder or permit to be discontinued or decreased the revenues in anticipation of the collection of which such bonds have been issued, or in any way make any change in the allocation and dedication of the revenues which would diminish the amount of the revenues to be received by the commission, until all of such bonds shall have been retired as to principal and interest.

Creating a new statutory dedication (LA 1 Improvement Project Fund) within the state treasury will result in a marginal additional workload for the Treasury, which can generally be absorbed with existing resources. However, to the extent other legislative instruments create new statutory dedications, there may be material additional costs associated with the aggregate effort to administer these funds. The Treasury performs fund accounting, financial reporting, banking and custodial functions for 389 special funds. When unable to absorb additional workload with existing resources, the treasury anticipates a personal services expenditure increase of approximately \$71,000 for 1 T.O. position plus approximately \$2,500 for a one-time purchase of office equipment. These expenditures are assumed to be SGF.

Senate Dual Referral Rules

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}

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