

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 1241** HLS 14RS 1333
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 21, 2014 11:44 AM **Author:** HENRY
Dept./Agy.: Treasury **Analyst:** Matthew LaBruyere
Subject: Deepwater Horizon Economic Damages Collection Fund

FUNDS/FUNDING EG DECREASE GF RV See Note Page 1 of 1

Provides for deposits of monies from certain settlement proceeds as a result of the Deepwater Horizon oil spill into the Budget Stabilization Fund and the Medicaid Trust Fund for the Elderly

Proposed law creates the Deepwater Horizon Economic Damages Collection Fund and deposits proceeds of the settlement, judgment, or final disposition of the state's economic damages claims asserted in State of Louisiana v. BP Exploration & Production to recover economic damages sustained by the state from the Deepwater Horizon explosion and oil spill into the fund. Proposed law further provides that within thirty days of each deposit of economic damages proceeds from the DWH litigation into the fund, the treasurer shall make the transfers from the fund as follows: 1) 50% of the deposits shall be transferred to the Budget Stabilization Fund until the fund reaches the amount statutorily mandated. 2) 50% of the deposits shall be transferred to the Medicaid Trust Fund for the Elderly until an amount not to exceed \$700 M has been deposited into the fund. The provisions of proposed law relative to the Deepwater Horizon Economic Damages Collection Fund shall be null, void, and of no effect at the later of the conclusion of the DWH litigation or July 1, 2024. Proposed law provides that after July 1, 2014, a joint resolution approved by 2/3 of the legislature is required for appropriation of the principal in the fund.

EXPENDITURES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$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	\$0	\$0	\$0

REVENUES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

Creating a new statutory dedication within the state treasury will result in a marginal additional workload for the agency, which can 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.

REVENUE EXPLANATION

This bill creates the Deepwater Horizon Economic Damages Collection Fund and provides that proceeds of the future settlement of the state's economic damages claims against BP be deposited into the fund and that 50% of these settlement proceeds be deposited into the Budget Stabilization Fund up to the statutory mandated balance, and the other 50% (not to exceed \$700 M) be deposited into the Medicaid Trust Fund for the Elderly. The legislation sunsets this fund at the later of July 1, 2024 (FY 25) or at the conclusion of the litigation.

The cap on the Budget Stabilization Fund amount for FY 14 is \$800,683,890. The balance of the Budget Stabilization Fund as of April 4, 2014 is \$444,386,630, a difference of \$356,297,260 (\$800,683,890 FY 14 cap - \$444,386,630 FY 14 balance). The balance of the Medicaid Trust Fund of the Elderly as of April 2, 2014, is \$418,517,334.

Based upon the current fund balances of these two funds, approximately \$356.3 M (\$800.7 M current cap - \$444.4 M current balance) of the settlement would be deposited into the Budget Stabilization Fund and \$281.5 M (\$700 M cap - \$418.5 M current balance) would be deposited into the Medicaid Trust Fund for the Elderly. However, since the fund balance in the Medicaid Trust Fund for the Elderly is expected to be nearly depleted in FY 15, it is likely that nearly \$700 M of the settlement from BP may need to be deposited in the fund.

In the absence of this bill, monies received by the state resulting from this litigation would be revenue to the state general fund. This bill captures these monies in the special fund created here and dedicates them to two already existing special funds, up to the amounts as provided for in the bill. Thus, to that extent the bill results in a loss to the state general fund and gains to dedicated funds.

NOTE: According to the Attorney General, no trial date has been set.

- Senate Dual Referral Rules House 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
- 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} 6.8(F)(2) >= \$500,000 State Rev. Reduc. {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}

Gregory V. Albrecht
Gregory V. Albrecht
Chief Economist