



LEGISLATIVE FISCAL OFFICE

Fiscal Note

ACT 121

Fiscal Note On: **HB 566** HLS 15RS 511

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

REVISED

Date: June 25, 2015 10:46 AM	Author: FANNIN
Dept./Agy.: Treasury/LA Lottery Corporation	Analyst: Travis McIlwain
Subject: Fund Transfers/Lottery Proceeds	

FUNDS/FUNDING EN +\$36,100,000 GF RV See Note Page 1 of 2
 Provides for the transfer and deposit on monies among state funds

Act provides for various statutorily dedicated fund transfers into either the Overcollections Fund (\$121.1 M), Lottery Proceeds Fund (\$5.9 million) or the Budget Stabilization Fund (\$44.6 M). Act directs the state treasurer to deposit \$10 M annually into the Rapid Response Fund as opposed to an amount to bring the balance to \$10 M. Act modifies the office of state police dedication included within the Insurance Verification System Fund from \$42 M to the lessor of the amount needed to fund the pay increase adopted by the State Police Commission on February 12, 2015 or \$42 M. Act creates the New Orleans Public Safety Fund and the Sickle Cell Fund. Act transfers \$350,000 from the Motor Carrier Regulation Fund and \$75,000 from the Telephonic Solicitation Relief Fund into the Utility & Carrier Inspection & Supervision Fund. Act provides for the transfer of \$1.8 M from the Riverboat Gaming Enforcement contingent upon the enactment of HB 448 of 2015 (Act 411). Act provides for the transfer of \$3.5 M from the Video Draw Poker Fund and \$2.5 M from the LA Fire Marshal Fund both into the SGF for FY 15 appropriation. Act provides for the transfer of \$200,000 of SGF resources into the LA Emergency Response Network Fund. Act provides for changes to the OMV Debts collected pursuant to the proposed HB 638 that would be deposited into the Debt Recovery Fund. Proposed law transfers \$20 M of lottery unclaimed prizes to the Lottery Proceeds Fund.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						
REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$36,100,000	\$0	\$0	\$0	\$0	\$36,100,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$21,100,000	DECREASE	DECREASE	DECREASE	DECREASE	\$21,100,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$57,200,000					\$57,200,000

EXPENDITURE EXPLANATION

The Act will likely result in an increase in SGF expenditures and a decrease in statutory dedicated fund expenditures associated with the Minimum Foundation Program funding (MFP). Since less statutory dedicated revenue (Lottery Proceeds Fund) will be available for MFP funding, SGF will be required to fund the MFP. The LA Lottery Corp. transfers 35% of total game sales into Lottery Proceeds Fund which is used to support the MFP. Any decrease in total sales will result in a smaller amount transferred into the Lottery Proceeds Fund, with less available to support the MFP. This bill transfers \$20 M from unclaimed prizes to the fund. In order to maintain the current level of funding for the MFP, a SGF expenditures will increase.

REVENUE EXPLANATION

The Act provides for the aggregate transfer of approximately \$231 M of various monies from various sources into either the Budget Stabilization Fund (\$44.6 M), the Overcollections Fund (\$121.1 M), the Lottery Proceeds Fund (\$5.9 M), the Utility & Carrier Inspection & Supervision Fund (\$425,000), the SGF (\$36.1 M) and the LA Emergency Response Network (\$200,000). The specific funds transferred into the Overcollections Fund by this bill are listed below:

- \$25,576,380 - Insurance Verification Fund
 - \$11,874,770 - Riverboat Gaming Enforcement Fund
 - \$3,540,000 - Employment Security Administration Account
 - \$4,200,000 - Penalty & Interest Account
 - \$12,000,000 - Self Insurance Fund
 - \$11,100,000 - Resources from LA Department of Revenue (LDR)
 - \$500,000 - LA Office Building Corporation
 - \$2,300,000 - LA Public Facilities Authority (LPFA)
 - \$50,000,000 - Telephone Company Property Assessment Relief Fund (5/14/2015 adopted revenue forecast)
- \$121,091,150 Total Overcollections Fund Transfers**

Louisiana Public Facilities Authority (LPFA) - \$2.3 M: According to information provided by the LPFA to the Legislative Fiscal Office, the total value of capital (as of December 31, 2014) is \$28.8 M of which \$14.8 M are notes receivable (non-cash), \$13.2 M is preliminarily committed for LPFA revolving loan programs, while only \$0.8 M is considered not committed or restricted. This increase in dedicated fund revenue is a component of the \$8.2 M shown in the revenue table above.

LA Lottery Corporation - \$5.9 M: In addition to transferring approximately \$121.1 M into the Overcollections Fund, this bill also provides for the transfer of \$5.9 million from the unrestricted fund assets of the LA Lottery Corporation to the Lottery Proceeds Fund. According to the LA Lottery, based upon the corporation's latest projections, the corporation's retained earnings is anticipated to be \$13.9 M for ending FY 15. However, of that projected amount of retained earnings, approximately \$7.8 M is actually cash being held within the Corporation's Prize & Litigation Reserve. These reserve funds are utilized to offset any potential litigation costs associated with lawsuits that are filed against the corporation. Pursuant to R.S. 47:9030(B), the corporation is a self-sustaining and self-funded entity and monies in the SGF cannot be utilized to pay the expenditures of the corporation. To the extent the \$5.9 M is actually swept, the corporation will only have approximately \$1.9 M remaining within its reserve for its use to mitigate any future unanticipated obligations. This increase in dedicated fund revenue is a component of the \$8.2 M shown in the revenue table above. **(See page 2)**

- Senate Dual Referral Rules House
- 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
- 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}
- 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
- 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S}
- 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

John D. Carpenter
John D. Carpenter
 Legislative Fiscal Officer



LEGISLATIVE FISCAL OFFICE

Fiscal Note

ACT 121

Fiscal Note On: HB 566 HLS 15RS 511
Bill Text Version: ENROLLED
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.: REVISED

Date: June 25, 2015 10:46 AM
Dept./Agy.: Treasury/LA Lottery Corporation
Subject: Fund Transfers/Lottery Proceeds
Author: FANNIN
Analyst: Travis McIlwain

CONTINUED EXPLANATION from page one:

LA Lottery Corporation - \$20 M: In addition to transferring \$5.9 M of unrestricted fund assets of the Corporation to the Lottery Proceeds Fund, this bill transfers \$20 M from the unclaimed prize money to the Lottery Proceeds Fund. This mechanism will likely result in an overall decrease in future statutorily dedicated fund revenues of the Lottery Proceeds Fund due to decreased lottery sales. The exact decrease will depend upon the prize structure determined by the Corporation. The Corporation is expected to finish FY 15 with unclaimed prizes in the amount of \$27.6 M and is currently project to end FY 16 with an unclaimed prize balance of \$25.7 M. The projection in the unclaimed prizes fund indicates a decrease each year for the next 10 years as a result of maintaining a 62.75% average instant prize structure. The average prize structure is the percentage of sales returned to players of instant games, which impacts ticket sales. The higher the prize structure, the greater the sales. Using \$20 M from unclaimed prizes will affect the instant ticket (scratch lottery cards) sales since the unclaimed prizes fund is used to support instant ticket prizes. The reduction in sales would ultimately lower the amount transferred to the Lottery Proceeds Fund, which is used to fund the Minimum Foundation Program (MFP). Due to the Lottery Proceeds Fund decrease, SGF would presumably have to be used in its place. A report by the LA Legislative Auditor regarding the unclaimed prizes fund analyzes the use of the entire unclaimed prizes amount of \$27.6 M in FY 16 and how it would affect prize pay out and the amount transferred to the Lottery Proceeds Fund. In FY 16, transfers to the Lottery Proceeds Fund would increase by \$11 M. However, using the entire unclaimed prizes fund lowers the prize structure to 50.7% and results in \$16.9 M less revenue transferred to the Lottery Proceeds Fund in FY 17 and in subsequent fiscal years.

Budget Stabilization Fund - \$44.6 M: This bill also provides for the transfer of \$44.6 M into the Budget Stabilization Fund of the \$178 M REC designated FY 14 SGF surplus (FY 14 cash position). Pursuant to R.S. 39:54, 25% of designated non-recurring monies, in this case the FY 14 cash position, is deposited into the Budget Stabilization Fund. The fund balance at the beginning of FY 15 was \$444.5 M. After depositing the \$44.6 M, the fund will have an approximately \$490 M balance.

FY 15 State General Fund - \$6 M: This legislation provides for the transfer of \$6 M from 2 statutorily dedicated funds (funds sweeps) into the SGF for FY 15 expenditure. The funds impacted by these transfers include:
\$2,500,000 - LA Fire Marshal Fund
\$3,500,000 - Video Draw Poker Device Fund
\$6,000,000 - Total FY 16

FY 16 State General Fund \$31.1 M: This legislation provides for the net transfer of \$30.1 M from various statutorily dedicated funds into the SGF for FY 16 expenditure. The SGF impact of these transfers is listed below:
\$18,800,000 - from the Riverboat Gaming Enforcement Fund to the SGF
(\$200,000) - from the SGF to the LA Emergency Response Network Fund (see below)
\$4,000,000 - from the LA Fire Marshal Fund to the SGF
\$2,000,000 - from the Environmental Trust Fund to the SGF
\$2,500,000 - from the Hazardous Waste Site Cleanup Fund to the SGF
\$3,000,000 - from the Insurance Verification System Fund to the SGF
\$30,100,000 - Total Net SGF Impact

Insurance Verification System Fund: This bill specifies that the amount set aside for the provisional pay plan for State Police not exceed \$42 M. Therefore, the amount set aside for the pay can be less than \$42 M. Act 641 of 2014 increased the fees for motorists that operate a vehicle without automotive liability insurance. As a result of increasing the fees, collections by the Office of Motor Vehicles (OMV) are expected to increase significantly and the increased collections will be used by the Office of State Police (OSP), district attorneys, DPSC Corrections, and for other law enforcement purposes in future fiscal years. The OSP plans to use \$24 M of funds deposited in the Insurance Verification Fund to pay for trooper pay grid increases in FY 16.

Telephone Company Property Assessment Relief Fund - \$50 M: In its original form, this legislation eliminated the Telephone Company Property Assessment Relief Fund, which would have allowed the taxes paid into the fund (for purposes of funding a tax credit) to flow into the SGF. House Appropriations Committee amendments amended this portion of the original bill that now keeps the fund in place, but provides for the unexpended and unencumbered balance to be transferred to the Overcollections Fund. Based upon the latest adopted revenue forecast, this balance is anticipated to be approximately \$50 M.

New Orleans Public Safety Fund/Sickle Cell Fund: The proposed legislation creates the New Orleans Public Safety Fund and the Sickle Cell Fund within the state treasury but does not provide for a permanent revenue source to flow into the newly created funds. 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. However, this legislation does provide for a one-time transfer of \$2.5 M from the DOJ Legal Support into the newly created New Orleans Public Safety Fund. These resources are appropriated in HB 1 Enrolled.

Utility & Carrier Inspection & Supervision Fund - \$425,000: The proposed legislation provides for the transfer of \$425,000 from 2 resources into the Utility & Carrier Inspection & Supervision Fund. The sources include:
\$350,000 - Motor Carrier Regulation Fund
\$75,000 - Telephonic Solicitation Relief Fund
\$425,000 - Total Utility & Carrier Inspection & Supervision Fund transfers-in

Louisiana Emergency Response Network Fund - \$200,000: This bill provides for the transfer of \$200,000 of SGF resources into the LA Emergency Response Network Fund. These resources are currently appropriated in the enrolled version of HB 1.

Debt Recovery Fund: This bill attempts to provide a priority allocation of potential debt recovery funds collected pursuant to proposed HB 638 of 2015 for State Police and DOTD. HB 638 of 2015 declares some OMV debts as final delinquent debt (60+ days old) and turns these debts (non-tax related debt/fee debt) over to the Office of Debt Recovery for collection. The specific amount of revenues generated is entirely dependent upon the collection success of the Office of Debt Recovery. This bill provides an allocation of these potential resources as follows: \$11 M for State Police (to fully fund the state trooper pay raise), \$40 M for DOTD for construction of off-system bridge construction and repair program. It is unclear how this proposed allocation will work in conjunction with other current and proposed priority allocations of Debt Recovery resources. Pursuant to Act 399 of 2013, which created the Office of Debt Recovery, the first \$5 M of all debt (tax related & non-tax related) is to be allocated to State Police for state trooper training academies. Pursuant to this bill, the next \$11 M of OMV fee debts will be allocated to State Police to fully fund the remaining portions of the state trooper pay raise and the next \$42 M of OMV debts will be allocated to DOTD. Pursuant to the current version of HB 638, State Police appears to receive another \$25 M of OMV fee debts. It is unclear if the \$11 M allocated within this bill is associated with the \$25 M allocated in HB 638 or if the \$25 M is above and beyond the \$11 M contained within this legislation.

- Senate Dual Referral Rules House
13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}
6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S}
6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

John D. Carpenter
Legislative Fiscal Officer