LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 467** SLS 16RS 1199
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

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Author: LAFLEUR
Dept./Agy.: Treasury
Analyst: Deborah Vivien
Subject:

FUNDS/FUNDING OR SEE FISC NOTE GF RV

Provides relative to the Bond Security and Redemption Fund. (gov sig)

Current law provides that most revenue collections be deposited first to the Bond Security and Redemption Fund (BSRF) in order to ensure that debt service secured by the full faith and credit of the state is paid prior to any other use of the funds, including as a statutory dedication. Subject to contractual obligations, the only funds not deposited to BSRF are grants/donations/assistance with agreements requiring otherwise. As a practical matter, efficient use of state resources has dictated over time that general fund pay 100% of non-appropriated debt service.

Proposed law directs 50% of the difference between the official REC estimate of the fund balance of statutory dedications at enactment and the appropriation at enactment from the fund to be used first to pay non-appropriated debt service. All remaining debt service is to be paid from the state general fund.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	($401,000,000)	DECREASE	DECREASE	DECREASE	DECREASE	**($401,000,000)**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$401,000,000	INCREASE	INCREASE	INCREASE	INCREASE	**$401,000,000**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**					**$0**

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

EXPENDITURE EXPLANATION

The bill stipulates that, if the estimate of any statutory dedication fund (presumably new revenue and any fund balance) is greater than the appropriation at enactment, 50% of the difference will be captured to pay non-appropriated debt service. It is assumed this calculation will be done once annually for the first payment of debt service following enactment, and, if all new revenue is appropriated, will include only fund balances as a base. Any remaining debt service is to be paid by the state general fund. Fund balances are expected to dwindle annually as the provisions of the bill are applied though it is not certain whether the revenue will be considered recurring.

If the bill had been in effect at FY 16 enactment and all new revenue was appropriated, the bill would have directed $2B to debt service (current non-appropriated debt service is $401M). This figure contemplates use of all fund balances, including TTF, LEQTF Permanent Fund, Millennium Trust Fund, Budget Stabilization Fund, hotel/motel funds, etc. The fiscal note assumes that carryforward appropriations are considered in the balance calculation, though the timing, especially when including reversals, may be an issue.

There is no anticipated direct material effect on agency costs as a result of this measure since the calculation appears to be made and applied once per year if all new revenue is appropriated and only fund balances are included. If new revenue is not entirely appropriated, ongoing oversight and classification could become very cumbersome and complicated, requiring significant additional agency resources.

REVENUE EXPLANATION

This bill does not generate additional revenue. The bill redirects existing resources from non-appropriated statutory dedications to debt service that is currently paid with state general fund.

It is not clear how revenue associated with carryforward appropriations will be accommodated in the calculation since they will be included in any beginning year fund balance. In addition, actual fund balances will not be known until the end of the accrual period in August, with certainty in late September, after the new fiscal year has begun. It is assumed that this transfer will occur upon finalization of the prior year actuals. If that is the case, an estimate must be used during the budgeting process to determine the amount of statutory dedication revenue along with an estimate of the appropriated amount of each, then 50% of the difference taken from the amount of general fund set aside to pay debt service. The remaining general fund would then be appropriated in the same budgeting process.

At the end of the fiscal year, the risk inherent in this somewhat circular procedure will be absorbed by the general fund. If the general fund set aside to pay debt service is insufficient because the statutory dedication revenue did not materialize as expected, it would appear that debt service will no longer be the first use of funds from the BSRF as it may have already been expended in other areas of the budget.

Implementation of the bill may also be problematic if new revenue is not entirely appropriated at enactment in that the amount appropriated from funds will probably not actually have been received by the state at the time of the calculation (enactment) and may

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Senate	Dual Referral Rules	House
[x] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		[x] 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}

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REVENUE EXPLANATION ***(Continued)***

never actually be in the fund if the estimate is overstated. There is no provision in the bill for payment of debt service if the excess statutory dedication funds do not materialize.

Typically, the budget is crafted with general fund reserved to pay debt service with the remaining general fund appropriated to other uses. This bill appears to set aside general fund minus the amount contributed by statutory dedication balances early in the budget development. Any year-end shortages in statutory dedication contributions would have to be paid from general fund that is already appropriated to other areas of the budget.

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[x] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		[x] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
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