



OFFICE OF LEGISLATIVE AUDITOR
Fiscal Note

Fiscal Note On: HB 98 HLS 19RS 456
Bill Text Version: ORIGINAL
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 4, 2019 1:26 PM Author: DUBUISSON
Dept./Agy.: St. Tammany Parish Sheriff's Office
Subject: St. Tammany Parish Retired Employees' Insurance Fund Analyst: Philip Fach

SHERIFFS OR INCREASE LF RV See Note Page 1 of 1
Creates the St. Tammany Parish Retired Employees' Insurance Fund

Purpose of Bill: This bill creates the St. Tammany Parish Retired Employees' Insurance Fund (STREIF) to pay insurance costs, claims, or premiums for eligible retired sheriffs and deputy sheriffs and to pay STREIF administrative costs. The STREIF will be financed by the St. Tammany Parish Sheriff at his/her discretion and money earned on investments. This bill also creates a 5 member board to provide investment recommendations to the Sheriff for the STREIF. The Sheriff is to invest the money in the STREIF based on board recommendations and investment restrictions provided by the bill.

Table with 7 columns: EXPENDITURES, 2019-20, 2020-21, 2021-22, 2022-23, 2023-24, 5 -YEAR TOTAL. Rows include State Gen. Fd., Agy. Self-Gen., Ded./Other, Federal Funds, Local Funds, and Annual Total.

Table with 7 columns: REVENUES, 2019-20, 2020-21, 2021-22, 2022-23, 2023-24, 5 -YEAR TOTAL. Rows include State Gen. Fd., Agy. Self-Gen., Ded./Other, Federal Funds, Local Funds, and Annual Total.

EXPENDITURE EXPLANATION

This measure may increase local governmental expenditures for the St. Tammany Parish Sheriff's Office by approximately \$7,800 starting in 2020, increasing to approximately \$34,200 by 2024.

Officials with the St. Tammany Parish Sheriff's Office indicated that expenditures will increase by approximately \$7,800 starting in 2020 and will increase to approximately \$34,200 by 2024. These expenditures will be for financial and legal advisors (about 0.6% of STREIF fund balance per year), elections, and errors and omissions insurance (about \$1,200 per year). Costs for retiree insurance are not expected to change due to this bill because the Sheriff currently pays for retiree insurance. In addition, audit costs are not expected to change nor will board members be compensated for their service.

REVENUE EXPLANATION

This measure may increase local governmental revenue for the St. Tammany Parish Sheriff's Office by approximately \$53,300 starting in 2020, increasing to approximately \$267,000 by 2024 due to investment earnings.

An official with the St. Tammany Parish Sheriff's Office indicated that the Sheriff's Office plans to deposit \$1.1 million annually into the STREIF until investment earnings are sufficient to pay retiree insurance. This money, which otherwise would have earned approximately 0.85% in interest annually in a bank account, will be invested and is expected to earn 5.7% annually. This is an increase in the rate of return of 4.85% (5.7% - 0.85%). The following shows the calculation of revenue increases:

- FY 2020: \$1.1 million x 4.85% = Approximately \$53,300 increase
FY 2021: \$2.2 million x 4.85% = Approximately \$107,000 increase
FY 2022: \$3.3 million x 4.85% = Approximately \$160,000 increase
FY 2023: \$4.4 million x 4.85% = Approximately \$213,000 increase
FY 2024: \$5.5 million x 4.85% = Approximately \$267,000 increase

- 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}

Signature of Michael G. Battle
Michael G. Battle
Manager, Advisory Services