



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: SB 189 SLS 20RS 187
Bill Text Version: ENROLLED
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: June 4, 2020 8:00 AM Author: WHITE, B
Dept./Agy.: Statewide Analyst: Alan M. Boxberger
Subject: Provides for administration of COVID-19 Disaster Funds

FUNDS/FUNDING EN +\$811,178,704 SD EX See Note Page 1 of 2
Provides for the creation, transfer, dedication, deposit, and use of certain funds in the state treasury. (7/1/20)

Proposed law provides for legislative intent with regard to distributing federal funds provided pursuant to Section 5001 of the CARES Act. Proposed law creates the statutorily dedicated Coronavirus Local Recovery Allocation Fund, provides allowable uses and eligibility, and directs deposit of \$511.18 M of the CARES Act allocation into the fund. Proposed law creates the Coronavirus Local Recovery Program; directs that GOHSEP may receive an appropriation from the fund totaling one half of 1 percent of the total deposited and an equal amount to the legislative auditor for the purposes of performing prescribed duties; provides for LLA review and verification; establishes timelines and defines eligible reimbursable expenditures; and provides for monthly reporting to the JLCB. Proposed law creates the statutorily dedicated Louisiana Main Street Recovery Fund, provides for allowable uses and eligibility, and deposit of \$300 M of the CARES Act allocation into the fund. Proposed law creates the Louisiana Main Street Recovery Program to be managed by the treasurer and allows an amount not to exceed 5% of the initial deposit to cover administrative expenses (including the treasurer and the legislative auditor). Proposed law creates the statutorily dedicated State Coronavirus Relief Fund, provides for allowable uses and directs the deposit of certain remaining CARES monies on 12/1/20. Proposed law provides use of balances as of 11/1/20 and 12/1/20.

Table with 7 columns: EXPENDITURES/REVENUES, 2020-21, 2021-22, 2022-23, 2023-24, 2024-25, 5-YEAR TOTAL. Rows include State Gen. Fd., Agy. Self-Gen., Ded./Other, Federal Funds, Local Funds, and Annual Total for both categories.

EXPENDITURE EXPLANATION

Proposed law will create a significant expenditure and workload increase for the Treasury; a possible significant expenditure and workload increase for the Dept of Revenue (DoR); and workload increases for the La Legislative Auditor (LLA) and Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP). Proposed law provides for the creation of the statutorily dedicated Coronavirus Local Recovery Allocation Fund, the Louisiana Main Street Recovery Fund, the State Coronavirus Relief Fund, and provides for the dedication of certain revenues into the funds. The intent is to administer the local (non-state) portion of La's total allocation of approximately \$1.8 B in accordance with the federal CARES Act. The governor's office states that it intends to allocate the full 45% allowable distribution, or approximately \$811.2 M, to local usage (including political subdivisions and potentially private businesses). Proposed law specifies that of the \$811.2 M, \$300 M shall fund a program for small business grants as allowed by federal law (\$40 M of which shall be awarded to minority, veteran or women-owned small businesses within the first 60 days). Proposed law specifies that of the \$300 M deposited into the Louisiana Main Street Recovery Fund, the Treasurer shall be appropriated up to 5% of the initial deposit into the fund (\$15 M) for administrative expenses including costs for the treasurer and the legislative auditor to execute the program. Proposed law specifies that of the \$511.18 M deposited into the Coronavirus Local Recovery Allocation Fund, one half of one percent of the total shall be available for appropriation to GOHSEP and an equal amount to the LLA for work performed in execution of the program (\$2.56 M each, or \$5.1 M total).

Department of Treasury

Proposed law requires treasury to promulgate emergency rules, develop an application for small businesses, and to verify applicant tax information with DoR before making disbursements of grants in amounts not to exceed \$15,000 to eligible businesses for costs incurred due to COVID-19. Treasury was still in the process of determining its potential fiscal impact as of publication of this fiscal note. Treasury will realize a material and significant increase of expenditures out of the newly created Louisiana Main Street Recovery Fund to execute the provisions of proposed law. Proposed law provides that up to 5% of the total \$300 M small business allocation shall be appropriated to the treasury for administrative expenses, inclusive of the work required of the LLA. The portion sent to LLA from this allocation to offset expenditures would be dependent on a speculative agreement between the treasury and LLA and is therefore indeterminable. Treasury feels it may be required to procure a consulting services contract to execute the local government program in the prescribed timeframe. The department is still exploring options and attempting to determine the potential expenditure exposure. Treasury is directed to work with the Department of Revenue to verify applicant tax information and with the Department of Education (DoE) to promote application by childcare organizations (DoE reports it can perform this function with existing budgetary and staff resources).

SEE EXPENDITURE EXPLANATION CONTINUED ON PAGE TWO

REVENUE EXPLANATION

Proposed law directs the state treasurer to deposit in the newly created Louisiana Main Street Recovery Fund a sum of \$300 M, \$511,178,704 into the newly created Coronavirus Local Recovery Allocation Fund, and provides for appropriations and allocations from the respective funds. The source is federal monies allocated to Louisiana pursuant to Section 5001 of the CARES Act. On 12/1/20, remaining unobligated balances shall be deposited into the State Coronavirus Relief Fund.

- Senate Dual Referral Rules House
[X] 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}

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CONTINUED EXPLANATION from page one:

EXPENDITURE EXPLANATION CONTINUED FROM PAGE ONE

Proposed law provides that on 12/1/20, the treasurer is authorized and directed to transfer any unobligated monies in the Coronavirus Local Recovery Allocation Fund and the Louisiana Main Street Recovery Fund to the State Coronavirus Relief Fund. Monies in the State Coronavirus Relief Fund may be used by the State, subject to appropriation, for the purposes of providing monies to local government units, eligible businesses, or the state in accordance with the provisions of this Subpart and the CARES Act. The likelihood of deposits into the State Coronavirus Relief Fund is unknown and speculative, and potential usage will depend on balances in the Coronavirus Local Recovery Allocation Fund and the Louisiana Main Street Recovery Fund on 12/1/20, recommended uses of such money by the commissioner of administration and/or the legislature, and appropriation of such monies into the fund (presumably by the JLCB at its meeting in December of 2020).

Creating a new statutory dedication within the state treasury will result in a marginal workload increase, which can generally be absorbed within 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 currently performs fund accounting, financial reporting, banking and custodial functions for 404 special funds. When unable to absorb additional workload with existing resources, the Treasury anticipates that it will be required to add one T.O. position and associated expenses, assumed to be SGF in this fiscal note.

Louisiana Legislative Auditor (LLA)

LLA reports that it will realize a workload and expenditure impact to implement the provisions of proposed law. Proposed law provides that 5% of the total \$300 M deposited into the Louisiana Main Street Recovery Fund (\$15 M) shall be available to the treasury for administrative expenses, inclusive of the work required of the LLA in execution of the program. The portion available to LLA from this allocation to offset expenditures would be dependent on a speculative agreement between the treasury and LLA and is therefore indeterminable. Additionally, proposed law provides that one half of one percent of the \$511.18 M deposited into the Coronavirus Local Recovery Allocation Fund shall be available for appropriation to the LLA to provide for execution of the local government program. This allocation would total \$2.56 M. LLA reports that it will attempt to absorb any additional workload with existing staff and potential budgetary resources as contemplated in proposed law. Proposed law provides that the LLA is authorized to review all applications for compliance and report any findings to the Legislative Audit Advisory Council and the JLCB. The LLA reports that proposed law may result in a workload impact that will cause staff to be reassigned from other tasks and projects for the duration of the reimbursement programs. The LLA is primarily funded by self-generated revenues, but some portion or all of incurred expenditures as contemplated in proposed law may be appropriated as IAT (transfer from treasury).

Governor’s Office of Homeland Security and Emergency Preparedness (GOHSEP)

GOHSEP reports that the provisions enumerated in proposed law will result in a de minimis workload impact on the agency. Proposed law directs the commissioner of administration, in consultation with GOHSEP, to develop procedures to govern the administration of the Local Recovery Allocation Program for political subdivisions and may promulgate emergency rules. GOHSEP reports that DOA will exercise initial review and certification of eligibility for applicants to the local government program for reimbursement from the Coronavirus Local Recovery Allocation Fund. Once expenditures are certified as eligible for reimbursement, GOHSEP is required to disburse payments to eligible recipients within five business days. GOHSEP reports that it can process payments using existing staff and budgetary resources. Proposed law provides that one half of one percent of the \$511.18 M deposited into the Coronavirus Local Recovery Allocation Fund shall be available for appropriation to GOHSEP to provide for execution of the local government program. This allocation would total \$2.56 M.

Division of Administration (DOA)

DOA reports that it planned to utilize existing personnel resources to administer the local government program absent proposed law. During public testimony to the legislature, the commissioner of administration reported that he anticipates the first payments to local governing authorities for eligible reimbursements will begin in mid-June. DOA reports that in an effort to maximize distribution to local governing authorities it devised a plan to keep administrative expenses at approximately 0.25% of the total CARES Act award (approximately \$2.03 M) by repurposing existing staff to this purpose in lieu of regular assigned duties. Under the provisions of proposed law, DOA reports that it can still effectuate its planned activities through mutual agreement and joint operation with GOHSEP to execute the local government program. Proposed law directs the commissioner of administration, in consultation with GOHSEP, to develop procedures to govern the administration of the program and may promulgate emergency rules. DOA reports that it will exercise initial review and certification of eligibility for applicants to the local government program for reimbursement from the Coronavirus Local Recovery Allocation Fund. Once expenditures are certified as eligible for reimbursement, DOA will submit those transactions to GOHSEP to be disbursed within five business days.

Department of Revenue (DoR)

DoR reports that it will realize a potentially significant workload impact pursuant to the review and verification of applicant tax information of local businesses requesting reimbursement for eligible expenses once submitted by the treasury. DoR reports that it is unable to quantify the impact because the depth of such review and verification requirements will be established by a speculative rule to be promulgated by the treasury. DoR reports that it anticipates a workload sufficient to require procuring supplemental, temporary staff to receive, verify and confirm any requests from the treasury. DoR utilizes SGR revenues for departmental expenditures and reports that it would require an increase of appropriation to provide for staffing and support costs. DoR collects SGR revenues in excess of its budget authority each year, and excess revenues revert to the SGF at the end of each year or require legislative action for carry forward between fiscal years. As of publication of this fiscal note, the potential expenditure impact is unknown but potentially significant.

Joint Legislative Committee on the Budget (JLCB)

JLCB shall receive a monthly report from the director of GOHSEP and the commissioner of administration detailing the amounts requested for reimbursement in the local government program from the Coronavirus Local Recovery Allocation Fund, the amounts reimbursed, and the average time for disbursing funds to each parish.

Senate
 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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