



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 452** HLS 13RS 717
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action: **w/ SEN COMM AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: June 1, 2013	8:36 AM	Author: FANNIN
Dept./Agy.:		Analyst: Travis McIlwain
Subject: Funds Bill		

FUNDS/FUNDING RE1 -\$128,377,178 GF RV See Note Page 1 of 2
 Provides for the transfer of deposits and monies among state funds

Proposed legislation provides that all lease payments of state hospital buildings be transferred into the Overcollections Fund. Proposed legislation provides for various sources of revenue including pharmaceutical legal settlements, property sales, revenues generated from Dept. of Revenue (LDR) Fraud Initiatives (Lexis Nexis), excess SGR from LDR, Go Zone Bond Repayments, excess collections from IAT and SGR, LA Housing Finance Agency, Self Insurance Fund, excess collections from the LA Property Assistance Agency (LPAA) and various other statutory dedicated actual and projected fund balances. Proposed legislation provides that monies in the Rapid Response Fund at the end of FY 13 shall not be included in the determination of the fund balance, requiring the state treasurer to deposit \$10 million into the fund on July 1, 2013. Proposed legislation provides for the transfer of various funds into the SGF. Proposed legislation creates the Payments Towards the UAL Fund. Proposed legislation makes modifications to the LA Housing Corporation Board. Proposed legislation provides for changes to the Shreveport Riverfront & Convention Center & Independence Stadium Fund. Proposed legislation creates the FMAP Stabilization Fund and provides that the FY 12 surplus be deposited into the fund. Proposed legislation repeals Section 4 of Act 597 of the 2012 Regular Legislative Session.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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>	<u>\$0</u>
Annual Total						
REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	(\$202,127,178)	\$0	\$0	\$0	\$0	(\$202,127,178)
Agy. Self-Gen.	(\$46,132,881)	\$0	\$0	\$0	\$0	(\$46,132,881)
Ded./Other	\$248,260,059	\$0	\$0	\$0	\$0	\$248,260,059
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>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

This bill provides for various fund transfers that will either be appropriated in FY 13 or FY 14.

REVENUE EXPLANATION

Repeal Section 4 of Act 597 - This bill repeals Section 4 of Act 597 Regular Legislative Session. That section required the Revenue Estimating Conference (REC) to promulgate FY 12 actual revenue collections. The state treasurer is directed to deposit into the Budget Stabilization Replenishment Fund (newly created by Act 597) the difference between actual collections and those officially forecast for FY 12 on 4/24/2012, up to the maximum of \$204.7 million. The state treasurer is then directed to transfer these same funds into the Budget Stabilization Fund (Rainy Day Fund). This language, which is repealed by this proposed bill, effectively pays back any unnecessary amount that was withdrawn late in the fiscal year to support the FY 12 budget. Relative to the April 24 forecast for FY 12, SGF revenue collections were \$203.8 million greater than expected. After an adjustment for a portion utilized (\$78.3 million), \$125.5 million of these excess collections are subject to the payback provisions of Act 597. If Section 4 of Act 597 is not repealed, all \$113.2 million would have to be deposited into the Budget Stabilization Fund (Rainy Day Fund). Repeal of Section 4 effectively allows the FY 12 surplus (\$113,220,807) (non-recurring revenue) to be utilized in the operating budget and not be subject to the constitutional limitations in Article VII, Section 10 (D)(2), relative to the use of non-recurring revenues. Upon promulgation of the JLCB, this bill provides for the transfer of \$113,220,807 (FY 12 surplus) into the newly created FMAP Stabilization Fund. These funds will likely be appropriated in the FY 13 Supplemental Appropriations Bill.

\$187 M SGF Transfers - This bill provides for the transfer of \$187 M from 3 different fund sources into the SGF for FY 14 expenditure. The sources are as follows: \$100 M - Coastal Protection & Restoration Fund, \$77 M - LA Mega Project Development Fund & \$10 M - Rapid Response Fund. HB 456, which is the LA Tax Delinquency Amnesty Act of 2013, provides for proceeds generated from this program to be deposited in FY 14 as follows: \$10 M - Rapid Response Fund, \$77 M - LA Mega Project Development Fund, \$100 M - Coastal Protection & Restoration Fund. Essentially, the FY 14 budget utilizes cash from these 3 funding sources and replenishes these funds with amnesty proceeds anticipated to be collected in FY 14.

Payments Toward the UAL Fund - This bill creates this new fund and provides that for FY 14 only the state treasurer shall transfer to the fund all cash balances from unexpended and unencumbered SGF appropriations. For illustrative purposes based upon information provided to the LFO by the State Treasury, the total amount of FY 12 appropriated SGF not expended in FY 12 (& not carried forward via CF BA-7s) is \$16.2 million. If this proposed statutory change were in law for FY 12, this fund would have had \$16.2 M transferred into it, which would have effectively reduced the FY 12 surplus from \$113.2 M to \$97 M. This bill provides that monies in this fund shall be subject to appropriation exclusively to LASERS and TRSL for application to the UAL.

This bill provides for the total transfer of \$674.1 M among various funds of which \$187 M is transferred into the SGF (previously discussed), \$3.2 M is transferred from various funds to solve various FY 13 budgetary issues, \$113.2 M transferred from SGF into the FMAP Stabilization Fund, and \$370.8 M is transferred from various sources into the Overcollections Fund for FY 14 appropriation. See FY 14 Resource List on page 2.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost {S}
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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CONTINUED EXPLANATION from page one:

\$140,250,000	Hospital Lease Payments*
\$64,771,871	Pharmaceutical Legal Settlements**
\$12,000,000	Sale of Pointe Clair Farms property
\$10,250,000	Sale of Baton Rouge State Office Building
\$17,840,000	Sale of remaining Southeast Hospital Property
\$350,000	Sale of Wooddale Tower
\$2,000,000	Sale of Hart Parking Garage Property
\$20,000,000	Dept. of Revenue Fraud Initiative***
\$13,132,881	Dept. of Revenue excess SGR
\$28,284,500	Go Zone Bond Repayments****
\$10,000,000	Excess Collections from IAT/SGR*****
\$2,000,000	Transfer from LA Housing Finance Agency
\$16,000,000	Transfer from Self Insurance Fund
\$5,000,000	Transfer of excess SGR from LPAA*****
<u>28,909,251</u>	<u>Transfer from various statutory dedicated funds</u>
\$370,788,503	Total Overcollections Fund transfers that are appropriated for FY 14 expenditures
\$100,000,000	Coastal Protection & Restoration Fund
\$77,000,000	LA Mega Project Development Fund
<u>\$10,000,000</u>	<u>Rapid Response Fund</u>
\$187,000,000	Total Transfers into SGF for FY 14 expenditure

\$557,788,503 Grand Total of Transfers in this bill supporting FY 14 budget

*This bill provides for state agencies to deposit into the state treasury all receipts of lease payments for the lease of state hospital buildings and then provides for the state treasurer to transfer all payments for the lease of state hospital buildings to the Overcollections Fund. These receipts are associated with the newly formed public/private partnerships. The Division of Administration (DOA) is anticipating collecting \$140,250,000 (effective FY 13).

**This bill provides for legal settlement proceeds from pharmaceutical companies to be transferred into the Overcollections Fund. Absent this legislation, a portion of these settlement proceeds would have likely been deposited into the DOJ Legal Support Fund and the Medical Assistance Programs Fraud Detection Fund. There is \$64,771,871 of pharmaceutical legal settlements built into the FY 14 budget (effective FY 13).

***This bill provides that any amount over \$3 M in recurring SGF revenue that is generated as a result of an additional fraud initiative within the Department of Revenue (LDR) is to be deposited into the Overcollections Fund. This is essentially a dedication of state general fund without a clear limit. The estimated value of the dedication is currently is \$20 M, which has been calculated without substantial accuracy or certainty since the performance, or even the definition, of the fraud initiatives is unknown. Currently, these collections are included in the SGF forecast and are budgeted as such. The DOA indicates that such revenues are only those associated with the Lexis Nexis contract with LDR.

****This bill provides for the transfer of loan repayments received from political subdivisions into the Overcollections Fund in the amount of \$28,284,500. Absent this legislation, the \$28.3 million of payments would otherwise flow into the SGF. Act 41 of the 2006 First Extraordinary Legislative Session authorized the state to issue state general obligation bonds pursuant to the Gulf Opportunity Zone Act of 2005 (Go Zone), which provided debt relief to various political subdivisions. The provision of the congressional act provided \$200 million in gulf tax credit bonds with a state match of \$200 million (General Obligation Bonds). There are currently 11 political subdivisions (2 have paid their debt in full) that owe the DOA a total of approximately \$303.9 million in principal and \$111.5 million in interest (\$415.3 million). To date, the DOA has collected approximately \$119.3 million in payments which includes \$77.9 million from the New Orleans School Board (paid entire debt in full in FY 12) and \$18 million from the Orleans Parish Law Enforcement District (paid entire debt in full in FY 13) (effective FY 14). Note: The FY 13 budget includes \$110,385,578 of Go Zone repayments and the proposed FY 14 budget includes the \$28.3 million previously discussed and \$16.4 million from Go Zone repayments transferred into MATF as previously authorized by Act 597 of the 2012 RLS for a total of \$44.7 million.

*****This bill provides for the transfer of excess collections from IAT and SGR of at least \$10 million into the Overcollections Fund. Unless noted in the appropriations bill, annual overcollections of SGR and/or IAT revenues revert to the SGF at the end of the fiscal year and are reported as part of the CAFR balance. This bill appears to recoup these excess resources before they become part of the CAFR balance at the end of the state's fiscal year. For illustrative purposes, last year the State Treasurer received approximately \$41 million of SGF reversions from SGR and IAT overcollections from various agencies (\$32.6 million - SGR, \$8.4 million - IAT). Since more than half of these excess collections are received from the Department of Insurance (\$15.4 million in FY 12) and the Office of Financial Institutions (\$11.4 million in FY 12), the adopted revenue forecast is already projecting the SGF to receive \$22 million in FY 14. Thus, this bill directs the state treasurer to transfer the remaining projected excess resources to the Overcollections Fund before these resources are captured as SGF surplus and limited to the 6 constitutional eligible uses of surplus funds (effective FY 14).

*****This bill provides for the transfer of \$5 million of resources from the LPAA to be transferred into the Overcollections Fund. The LPAA is an ancillary agency that manages the state's moveable property and ensures that all state agencies comply with the State Property Control & Fleet Management Regulations. LPAA's main source of revenues is surplus auction sales of used state equipment and vehicles. In FY 12, the agency generated \$5.4 million of SGR from sales of assets in FY 12. Revenues generated from the auction of state property accrues to either the selling agency or the LPAA, depending upon the original funding source used for the purchase of such property. If the property was purchased with federal grant funds, SGR or Statutory Dedications, the LPAA typically receives 20% of the proceeds, while the selling agency receives 80%. If the property was purchased with SGF, the LPAA receives the full amount generated from the auction. Because the LPAA is an ancillary agency, the agency keeps all unexpended funds from year-to-year. Based upon the FY 14 budget request, LPAA has approximately \$7.3 million of prior year cash carryover. This bill seeks to transfer \$5 million of this carryover amount into the Overcollections Fund (effective FY 14).

FY 13 Impact

In addition to the \$371 million of transfers for FY 14 appropriation, there are various transfers for FY 13 appropriation. According to the DOA, those transfers include: transferring \$1,094,631 from the Overcollections Fund to Prepaid Wireless 911 SGR, transferring \$1,101,881 from the Underwater Obstruction Removal Fund to the Oil & Gas Regulatory Fund, & transferring \$975,483 from the Community Water Enrichment Fund to the Overcollections Fund.

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