



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: HB 1026 HLS 14RS 583
Bill Text Version: ORIGINAL
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: March 19, 2014 2:44 PM
Author: FANNIN
Dept./Agy.: Statewide
Subject: Funds Bill
Analyst: Travis McIlwain

FUNDS/FUNDING OR +\$239,950,000 SD RV See Note Page 1 of 2
Provides for the transfer and deposit of monies among state funds

Proposed bill creates the Deepwater Horizon Economic Damages Collection Fund and provides that 50% of its proceeds shall be transferred to the Budget Stabilization Fund up to the cap. Proposed bill provides that the greater of \$25 million from any source or 25% of any designed non-recurring monies be transferred annually to the Budget Stabilization Fund. Current law (R.S. 39:94(C)(b.)) provides that no deposit shall be made into the Budget Stabilization Fund until the official forecast exceeds the SGF revenue collections for FY 08. Current law provides that R.S. 39:94(C)(b) shall be null and void on July 1, 2015 (FY 16). Proposed bill changes the null and void date to July 1, 2017. Proposed bill creates the Debt Recovery Fund. Proposed bill provides for the transfer of various statutory dedicated fund balances into the Overcollections Fund. Proposed bill provides for resources from the LA Housing Corporation, New Orleans Exhibition Hall, Self Insurance Fund, DOA excess SGR, LPAA excess SGR, Aircraft Services excess SGR, interest from underground storage tank payments (legal settlements), & SGF reversions to be transferred into the Overcollections Fund. Proposed bill provides for the state treasurer to transfer items in the following order:\$37,002,124 for supplemental payment of debt defeasance, \$6 M UAL for supplemental payment, \$25 M Budget Stabilization Fund, \$51 M Coastal Protection & Restoration Fund. Proposed bill provides for the transfer of \$44 M of LDR SGR be transferred to the 2013 Amnesty Collection Fund. Proposed bill provides for the transfer of nonrecurring revenues from LDR Fraud initiatives and Debt Recovery into the Overcollections Fund.

Table with 7 columns: EXPENDITURES, 2014-15, 2015-16, 2016-17, 2017-18, 2018-19, 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, 2014-15, 2015-16, 2016-17, 2017-18, 2018-19, 5-YEAR TOTAL. Rows include State Gen. Fd., Agy. Self-Gen., Ded./Other, Federal Funds, Local Funds, and Annual Total.

EXPENDITURE EXPLANATION

Although this bill is not an appropriation measure, Section 4 directs the state treasurer to transfer 2 different amounts of nonrecurring Overcollections Fund resources for appropriation in the FY 14 supplemental appropriations bill. Those amounts include: \$37,002,124 - debt defeasance, \$6,000,000 - UAL payment for a total anticipated payment of \$43 M. In addition, the fund transfers into the Overcollections Fund and the 2013 Tax Amnesty Collections Fund all play a role in the development of the FY 15 budget.

REVENUE EXPLANATION

This bill transfers \$277,860,279 from various resources into the Overcollections Fund, dedicates at a minimum \$25 million of SGF annually to the Budget Stabilization Fund (Rainy Day Fund), transfers \$44 million of SGR from LDR into the 2013 Tax Amnesty Fund and creates two new statutory dedicated funds (Deepwater Horizon Economic Damages Collections Fund & Debt Recovery Fund). Below is a discussion of some of the major actions included in this legislation. NOTE: Although some sections of this bill are effective in FY 14, the revenue table above is an illustration of the impact of both FY 14 and FY 15.

Budget Stabilization Fund (Rainy Day Fund): Current statutes (R.S. 39:94(C)(b)) provide that no deposit shall be made into the fund until the official forecast exceeds the SGF revenue collection for FY 08, with a sunset of this language being July 2015 (FY 16). This statutory language allowed excess mineral revenues to flow into the SGF (for financing the state budget) as opposed to flowing into the Budget Stabilization Fund up to its current cap. This bill provides for the greater of \$25 M from any source or 25% of nonrecurring revenues be deposited into the Fund annually (up to the Fund's cap) beginning in FY 15 and moves the null and void date to July 2017 (FY 18). This will result in (at a minimum) \$25 M being deposited into the Fund for FY 15, FY 16 and FY 17 and will result in excess mineral revenues flowing into the Fund as opposed to the SGF in FY 18. Based upon current law, the latest adopted revenue forecast anticipates \$356 M of excess mineral revenues flowing to the Fund beginning in FY 16 to the reach its maximum cap. If this number remains constant, a minimum of \$75 M would be deposited into the Fund in FY 15, FY 16 and FY 17 and then approximately \$281 M of excess mineral revenues would flow into the Fund beginning in FY 18. The maximum balance of the Fund is recalculated each year and forecasts of mineral revenue will change as well. The specific impacted amounts in each fiscal year may differ from those above.

Overcollections Fund (Fund Sweeps) \$13,412,403: This bill provides for the transfer of \$13,412,403 of fund resources from 18 different funds with amounts ranging from \$111 to \$7.4 million. This funding is being utilized to fund various items within the FY 15 budget.

Overcollections Fund (Non-Traditional Resources) \$213,450,000: This bill provides for the transfer of \$213,450,000 of "nontraditional" resources into the Overcollection Fund. These resources are anticipated to come from: \$27 M - LA Housing Corporation, \$50 M - New Orleans Exhibition Hall, \$32.5 M - Self Insurance Fund, \$36 M - SGR from DOA, \$3.7 M - LA Property Assistance Agency (LPAA), \$250,000 - Office of Aircraft Services, \$9 M - anticipated interest from underground storage tank payments (legal settlement), \$13 M - SGF reversions, \$32 M - SGF dedication from LDR fraud initiatives, \$10 M - Debt Recovery. The DOA SGR consists of 3 major sources: \$4 M excess SGR, \$7 M from sinking fund for major repairs, \$25 M from Office Facilities Corporation (OFC). SEE NEXT PAGE

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

Signature of John D. Carpenter
John D. Carpenter
Legislative Fiscal Officer

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CONTINUED EXPLANATION from page one:

***Overcollections Fund (Coastal Protection & Restoration Fund) \$50,997,876:** This bill provides for \$50,997,876 of recurring resources be transferred from the Coastal Protection & Restoration Fund into the Overcollections Fund. The mechanism that allows this to occur is Section 4(5.) of this bill that transfers \$50,997,876 of REC deemed nonrecurring Overcollections Fund resources into the Coastal Protection & Restoration Fund and then a like amount of recurring resource is transferred into the Overcollections Fund for FY 15 expenditure. The original source of nonrecurring resources that allows for these 2 transfers to occur without impacting the fund are listed in the tables below (Nonrecurring Overcollections Fund Sources Table).

Deepwater Horizon Economic Damages Collection Fund: This bill creates this fund and provides that proceeds of the future settlement of the state's economic damages claims against BP be deposited into the fund and that 50% of these settlement proceeds be deposited into the Budget Stabilization Fund up to the cap and the remaining being deposited into this newly created fund. The legislation sunsets this fund at the later of July 1, 2024 (FY 25) or at the conclusion of the litigation. NOTE: According to the Attorney General, no trial date has been set.

2013 Tax Amnesty Collections Fund: This bill provides for the transfer of \$44 M of LDR SGR into the 2013 Tax Amnesty Collections Fund. Under amnesty program provisions, the Department of Revenue is authorized to retain the amount of penalties abated and administrative costs incurred as a result of the Amnesty Program to secure the operational funding that the Department would have retained had the funds been collected without amnesty. Though a total amount of amnesty SGR retained has not been presented by LDR, the bill transfers \$44 M of these funds from the LDR SGR collections into the 2013 Tax Amnesty Collections Fund for appropriation.

Debt Recovery Fund: This bill creates the Debt Recovery Fund. Act 399 of the 2013 Regular Legislative Session created the Office of Debt Recovery. However, the fund was inadvertently amended from the bill. This bill creates the fund, which will allow State Police to fund a FY 14 cadet class. The funding for the class will likely be contained in the FY 14 Supplemental Appropriations Bill. In addition, this bill provides for monies collected by the Office of Debt Recovery to be transferred to this newly created fund (subject to appropriation by the legislature). The bill further provides for the state treasury to transfer to the Overcollections Fund an amount of nonrecurring funds identified by LDR. Based upon the DOA's presentation to the Revenue Estimating Conference (January 15, 2014), this anticipated amount is \$10 M. See table below (Nonrecurring Overcollections Fund Sources Table).

Hospital Lease Payments/Go Zone Bond Payments/LA 1 Toll Revenues: This bill further specifies that these 3 sources of revenue are now considered SGF sources. These sources are currently included in the latest adopted revenue forecast as SGF sources. The total amount included in the adopted revenue forecast from these sources is \$185 M.

NOTE: Pursuant to Act 419 of the 2013 Regular Legislative Session, the sources of revenue flowing into the Overcollections Fund were presented to the Revenue Estimating Conference (REC) for determination of recurring or nonrecurring. Below are tables that indicate the REC designation and the anticipated uses of such resources as contained within the current version of the FY 15 budget.

Nonrecurring Overcollections Fund Sources		Proposed Uses of Nonrecurring Overcollections Fund Sources	
LA Housing Corporation	\$27,000,000	Debt Defeance	\$37,002,124
New Orleans Convention Center	\$50,000,000	UAL (5% of \$119 M)	\$6,000,000
LDR Fraud Initiatives	\$32,000,000	Rainy Day Fund	\$25,000,000
Debt Recovery	\$10,000,000	Coastal Protection & Restoration Fund*	\$50,997,876
TOTAL	\$119,000,000	TOTAL	\$119,000,000

Recurring Overcollections Fund Sources		Proposed Uses of Recurring Fund Sources	
Various Funds Sweeps	\$13,412,403	FY 14 Supplemental Needs**	\$27,441,122
Self Insurance Fund	\$32,500,000	Elderly Affairs (HB 1)	\$6,521,928
Excess DOA SGR	\$4,000,000	State Libraries (HB 1)	\$1,400,000
Sinking Fund for Major Repairs (DOA SGR)	\$7,000,000	Medicaid (HB 1)	\$186,421,281
Office Facilities Corporation (DOA SGR)	\$25,000,000	Board of Regents (HB 1)	\$39,075,948
LA Property Assistance Agency (LPAA)	\$3,700,000	Dept. of Education (HB 1)	\$4,000,000
Office of Aircraft Services	\$250,000	TOTAL	\$264,860,279***
Interest from Legal Settlements (underground storage tanks)	\$9,000,000	FY 14 Supplemental Bill**	\$27,441,122
SGF Reversions	\$13,000,000	FY 15 (HB 1)	\$237,419,157
Pharmaceutical Settlements (Act 420 of 2013 RLS)	\$106,000,000	TOTAL	\$264,860,279***
Coastal Protection & Restoration Fund*	\$50,997,876		
TOTAL	\$264,860,279***		

NOTE: Amounts listed above for interest from legal settlements (underground storage tanks), SGF reversions and Pharmaceutical Settlements are projections from the DOA and no specific amounts are included within this bill. However, the listed amount in the chart above for these items represent how much is currently included within the current version of the FY 15 budget.

**The FY 14 Supplemental Appropriations Bill has not yet been filed.

***At its January 15, 2014, the REC recognized \$214 M of anticipated FY 14 Overcollections Fund resources (resources being collected in FY 14, but appropriated in FY 15) as recurring. The difference between the \$264.9 M of total recurring resources utilized in FY 14 and FY 15 and the \$214 M is approximately \$51 M. The \$51 M difference represents the Coastal Protection & Restoration Fund resources being utilized for operating expenditures.

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|--|----------------------------|-------|--|
| Senate | <u>Dual Referral Rules</u> | House | <input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 State Rev. Reduc. {H & S} |
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