

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 88** HLS 14RS 458
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: March 26, 2014 10:00 AM **Author:** BARROW
Dept./Agy.: State Retirement Systems **Analyst:** Matthew LaBruyere
Subject: Supplemental Benefit From Non-recurring Revenue

FUNDS/FUNDING OR SEE FISC NOTE SD EX Page 1 of 1

(Constitutional Amendment) Establishes the Seniors' Supplement Fund for the provision of occasional supplemental payments to certain retirees and beneficiaries of state retirement systems

Proposed constitutional amendment requires that from each fiscal year's total amount of nonrecurring revenues, the state treasurer deposit into the Seniors' Supplement Fund an amount equal to 10% of that total. Proposed constitutional amendment establishes the Seniors' Supplement Fund as a special treasury fund for the purpose of accumulating monies for the provision of occasional supplemental payments to eligible retirees and beneficiaries of the four statewide retirement systems. Proposed constitutional amendment prohibits supplemental payment from being interpreted or construed to constitute a retirement benefit. Proposed constitutional amendment requires appropriations from the fund when the fund balance reaches an amount sufficient to provide for a supplemental payment to the eligible retirees and beneficiaries of the state systems. Notwithstanding the provisions of Const. Art. III, Section 2, such law may be introduced and considered in any regular session of the legislature. Provides for submission of the proposed amendment to the voters at the statewide election to be held November 4, 2014.

EXPENDITURES	2014-15	2015-16	2016-17	2017-18	2018-19	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	2014-15	2015-16	2016-17	2017-18	2018-19	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						

EXPENDITURE EXPLANATION

At some point, under this proposed constitutional amendment, an increase in statutorily dedicated fund expenditures for supplemental payments to eligible retirees and beneficiaries of the four state retirement systems would occur. The enabling statutory language in HB 90 states that each eligible retiree and beneficiary would receive a \$300 supplemental payment. The payments would be made when the Senior's Supplement Fund balance has reached a sufficient amount to make the supplemental payment to all eligible retirees and beneficiaries. That sufficient fund balance depends on the size and frequency of non-recurring revenue designations

For illustrative purposes, the cost to pay the \$300 supplemental payment to current retirees and beneficiaries of the 4 state systems would be approximately \$39.3 M.

TRSL	71,031 x \$300 = \$21,309,300
LASERS	45,425 x \$300 = \$24,627,500
LSERS	13,369 x \$300 = \$4,010,700
STPOL	1,234 x \$300 = \$370,200
TOTAL	\$39,317,700

It should be noted that the number of retirees will likely increase in future years, which will increase the amount needed in the fund. It may take several years of non-recurring revenue designations for the fund balance to be sufficient make the required payments.

Creating a new statutory dedication within the state treasury will result in a marginal additional workload for the agency, which can be absorbed with 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 proposed constitutional amendment will be considered by voters at the statewide election to be held on November 4, 2014. The Secretary of State may incur minimal ballot printing costs associated with this measure. However, as a regular practice, the Secretary of State typically budgets for up to 10 constitutional amendments for the fall statewide elections.

REVENUE EXPLANATION

By mandating a minimum allocation (10% for FY15 and beyond) of officially designated nonrecurring revenue be used to make supplemental payments to eligible retirees and beneficiaries, less of those monies are available to be allocated to the other allowable uses of nonrecurring revenue; debt retirement/defeasance, payments against the UAL, various capital outlay and road projects, and coastal protection projects. The Budget Stabilization Fund is not affected because it gets a fixed share of nonrecurring monies (up to 25% of the designated amount if the Fund is not already at it's maximum balance).

- Senate Dual Referral Rules House 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
- 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} 6.8(F)(2) >= \$500,000 State Rev. Reduc. {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}

Gregory V. Albrecht
Gregory V. Albrecht
Chief Economist