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**TO:** The Honorable James R. Fannin, Chairman of the House Appropriations Committee

**FROM:** John D. Carpenter, Legislative Fiscal Officer  
Evan J. Brasseaux, LFO Staff Director

**DATE:** April 7, 2014

**SUBJECT:** House Rule 7.19, HB 1 Original, Act 419, FY 16 SGF Replacement

Pursuant to House Rule 7.19, the Legislative Fiscal Office (LFO) is required to submit a report to the House of Representatives, which indicates whether the appropriation bill appropriates one-time money within the Engrossed version of HB 1. The LFO is providing this list for HB 1 – Original including a description of the changes that have occurred as a result of Act 419 and a discussion of the actual SGF decisions that will have to be made in FY 16 as a result of the current structure of the FY 15 operating budget. Also, page 4 includes an updated version of a flow chart that illustrates how all of these resources are being utilized in FY 15.

If you have any questions about any of the information presented in this memo, please contact me by email at [carpenterj@legis.la.gov](mailto:carpenterj@legis.la.gov) or by phone at 225-342-7233.

**Act 419 of 2013 Regular Legislative Session**

The Revenue Estimating Conference (REC) began comprehensively incorporating statutory dedications and self-generated revenue into the revenue forecast at the January 15, 2014 meeting. Virtually all monies associated with these additions to the forecast were designated as recurring revenue. The only exception to this was the designation of \$119 M of FY 15 Overcollections Fund resources as nonrecurring.

These specific nonrecurring resources include \$50 M from the N.O. Convention Center, \$32 M from Revenue Dept. fraud initiatives, \$27 M from the LA Housing Corp. (originally \$40 M when presented to the REC), and \$10 M from the Debt Recovery Fund. Specific Overcollections Fund resources expected to be received in FY 14 but supporting the FY 15 budget, and designated recurring by the REC, include \$106 million of pharmaceutical legal settlements, \$32.5 M from the Self-Insurance Fund, \$25 M of excess bond funding in the Office Facilities Corp., \$13.4 M of various fund balances, \$13 M of estimated unspent SGF appropriations, \$9 M of interest from underground storage tank settlements, \$7 M from repair and maintenance sinking funds associated with state building bond financing, \$4 M of estimated unspent SGR appropriations, \$3.7 M from surplus property sales excess receipts, and \$250,000 of excess receipts by the Office of Aircraft Services. See page 4 for a flow of how these resources are being utilized in the FY 15 budget.

**HR 7.19 One-Time Money List**

Pursuant to HR 7.19(C)(2), the threshold calculation is the difference between the FY 15 SGF forecast of \$8,617.6 B and FY 16 SGF forecast of \$8,485.2 B, which equates to a -\$132.4 M. Due to this negative number, the amount of one-time funds, as defined by HR 7.19, allowed in HB 1 for FY 15 expenditure is \$0. See Table 1.

TABLE 1	
Year	SGF Forecast (in millions)
FY 15	\$8,617.6
FY 16	\$8,485.2
<b>Difference</b>	<b>(\$132.4)</b>

Overall, of \$1.056 B identified as potential one-time money utilized in the FY 15 budget, \$982.5 M may require another source of revenue in FY 16. After reducing \$1.006 B (Total HR 7.19 Exceptions) from the potential amount accounting for one-time expenditures and the REC identified recurring resources and statutory dedicated funds pursuant to Act 419 of 2013 RLS, the HR 7.19 defined one-time money is approximately \$49 M. The Total HR 7.19 Exceptions can be found in Table 2 on the next page.

*Note: The difference between \$1.056 B and \$982.5 M are the one-time expenditures anticipated in FY 15 that include: \$25 M – Budget Stabilization Fund deposit, \$14 M – payment to LASERS UAL and TRSL UAL, \$6.5 M – one-time expenditure for Senior Center/Council on Aging enhancement and \$27.4 M – originally anticipated Overcollections Fund resources that may be allocated for FY 14 expenditure needs.*

TABLE 2

## HB 1026 RESOURCES (FUNDS BILL)

## Funds Sweeps

Community Water Enrichment Fund	\$777,318
DOJ Debt Collection Fund	\$90,375
DOJ Legal Support Fund	\$191,558
DHH Facility Support Fund	\$238
DNA Testing Post-Conviction Relief for Indigent Fund	\$1,773
Employment Security Administration Account	\$7,350,189
FEMA Reimbursement Fund	\$35,375
Fish & Wildlife Violations Reward Fund	\$679
Hazardous Waste Site Cleanup Fund	\$2,681,729
Health Care Facility Fund	\$267,900
LA Interoperability Communications Fund	\$17,329
LA Help Our Wildlife Fund	\$496
Marketing Fund	\$24,064
Medical & Allied Health Professional Education Scholarship & Loan Fund	\$187
Small Business Surety Bonding Fund	\$409,144
2% Fire Insurance Fund	\$1,544,046
UNO Slidell Technology Park	\$111
Variable Earnings Transaction Fund	\$19,892
<b>Total Various Funds Sweeps</b>	<b>\$13,412,403</b>
LA Housing Corporation	\$27,000,000
Memorial Convention Center	\$50,000,000
Self Insurance Fund	\$32,500,000
DOA Excess SGR and excess collections from LPAA & Aircraft Services	\$39,950,000
Interest amounts earned from recoupment of underground storage tank settlements	\$9,000,000
SGF Reversions	\$13,000,000
LDR Fraud Initiative Resources	\$32,000,000
Debt Recovery Fund	\$10,000,000
Pharmaceutical legal settlements (Act 420 of 2013 RLS - Funds Bill)	\$106,000,000
<b>SUB-TOTAL HB 1026 ORIGINAL RESOURCES (FUNDS BILL)</b>	<b>\$332,862,403</b>

## HISTORICALLY DESIGNATED NON-RECURRING RESOURCES

RLS 2012 Rescinded Capital Outlay Projects previously funded with SGF	\$20,154,310
FY 13 Prior Year SGF Surplus	\$160,887,965
<b>SUB-TOTAL HISTORICAL DESIGNED NON-RECURRING RESOURCES</b>	<b>\$181,042,275</b>

## EXPIRING RESOURCES

Medicaid Trust Fund for the Elderly	\$233,734,602
Mortgage Settlement Monies (DOJ SGR)	\$4,563,971
2013 Tax Amnesty Fund (Phase I & Phase II)	\$262,424,592
FY 14 Bond Premium	\$22,734,497
<b>SUB-TOTAL EXPIRING RESOURCES</b>	<b>\$523,457,662</b>

## FEDERAL RESOURCES

CDBG Program Income (NOW Waivers)	\$12,150,000
Department of Corrections (IAT FEMA Reimbursements)	\$5,995,909
<b>SUB-TOTAL FEDERAL RESOURCES</b>	<b>\$18,145,909</b>

<b>Total</b>	<b>\$1,055,508,249</b>
Less: One-time expenditures	(\$278,300,824)
Less: Act 419 statutorily dedicated funds	(\$496,159,194)
Less: REC deemed recurring Overcollections Fund Resources	(\$213,862,403)
Less: Federal Resources	(\$18,145,909)
<b>Total HR 7.19 Exceptions</b>	<b>(\$1,006,468,330)</b>
<b>Total HR 7.19 One-Time Money (See Itemized List Below)</b>	<b>\$49,039,919</b>
House Rule 7.19 Threshold (per latest adopted revenue forecast - 1/15/2014)*	\$0
<b>Amount (Under)/Over Threshold</b>	<b>\$49,039,919</b>

## Itemized One-Time Monies:

State Libraries (Coastal Restoration & Protection Fund via the Overcollections Fund)	\$1,400,000
Board of Regents (Coastal Restoration & Protection Fund via the Overcollections Fund)	\$39,075,948
Department of Education (Coastal Restoration & Protection Fund via the Overcollections Fund)	\$4,000,000
DOJ Mortgage Settlement Funds	\$4,563,971
<b>Total HR 7.19 One-Time Money</b>	<b>\$49,039,919</b>

\*Due to the adopted FY 15 and FY 16 SGF revenue forecast decreasing from \$8.62 billion in FY 15 to \$8.49 billion in FY 16 (decrease of \$132.4 million) the HR 7.19 calculated one-time money threshold is \$0. Thus, based upon HR 7.19, there can be no one-time money in FY 15 without the 2/3 vote requirement.

**FY 16 SGF Decision List**

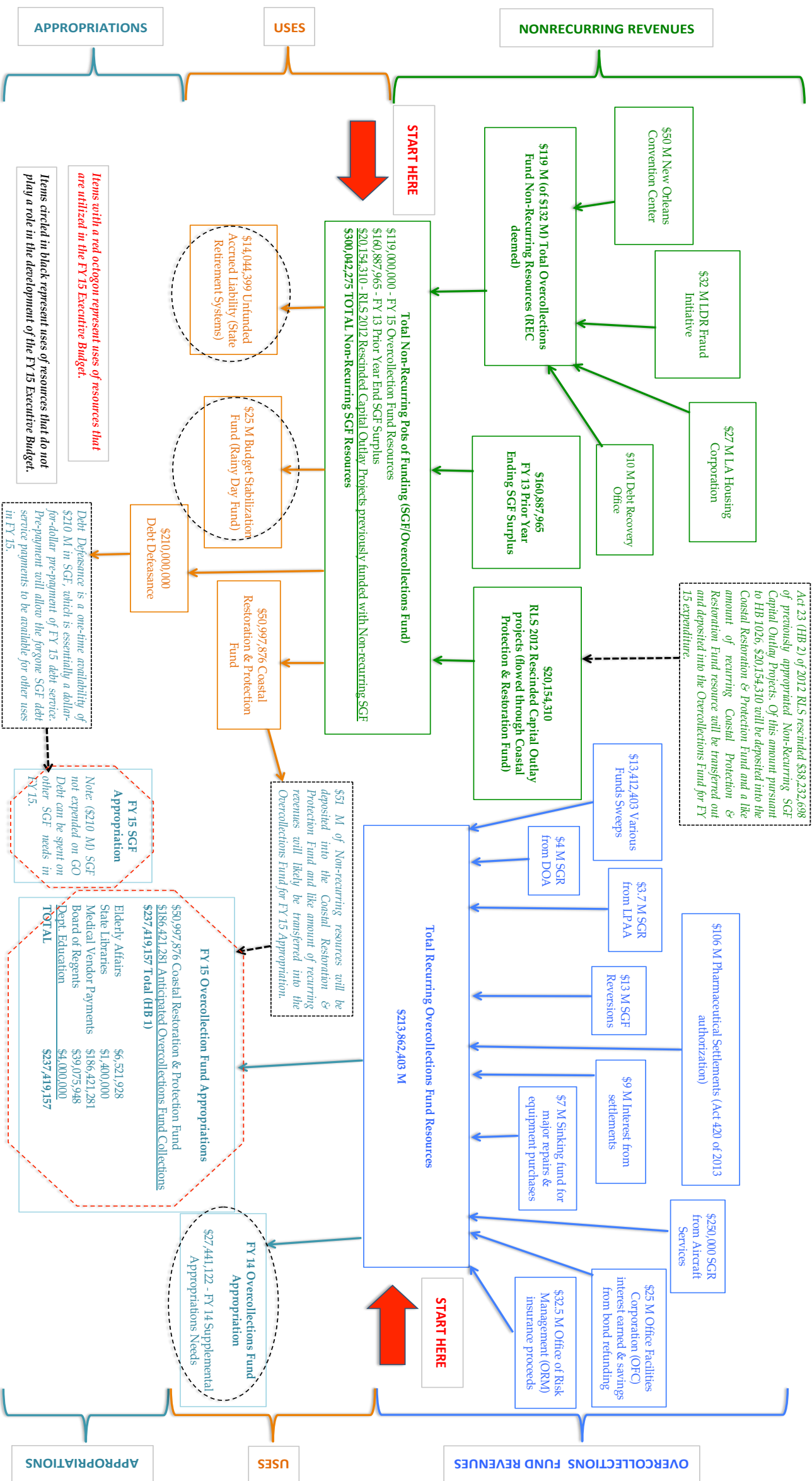
Although HR 7.19 contains a definition of “one-time money,” the rule itself is not indicative of the significant financing decisions that will have to be made in FY 16 relative to the current structure of the FY 15 operating budget. Due to this issue, the LFO is not only providing the HR 7.19 list to comply with the House Rule, we are also providing you with a list of the significant potential FY 16 financing replacements that will have to be made as a result of the proposed FY 15 budget.

See Table 3 below for a complete listing and description of resources being utilized in FY 15 that will likely require another revenue source in FY 16.

**TABLE 3**

<b>State Agency</b>	<b>Potential Financing Replacement in FY 16 <i>(in millions)</i></b>	<b>FY 15 Funding Sources</b>
Medicaid Program - Overcollections Fund	\$186.4	\$214 M REC Recurring Overcollections Fund & \$51 M from Non-Recurring - Funds sweeps, Various DOA SGR resources, Pharmaceutical Settlements, Self Insurance Fund & approximately \$51 M of Non Recurring resources flowing through the Coastal Restoration & Protection Fund. These resources are utilized to fund recurring Medicaid expenditures.
MVP - Medicaid Trust Fund for the Elderly	\$233.7	Monies would be exhausted in FY 15 and other resources will have to be identified in FY 16.
MVP - 2013 Tax Amnesty Fund	\$262.4	Remaining Phase I & Projected Phase II. Phase III collections could be utilized to replace a portion of these Medicaid expenditures. The specific amount of Phase III collections is indeterminable at this time.
Board of Regents - Overcollections Fund	\$39.1	\$214 M REC Recurring Overcollections Fund & \$51 M from Non-Recurring - Funds sweeps, Various DOA SGR resources, Pharmaceutical Settlements, Self Insurance Fund & approximately \$51 M of Non-Recurring resources flowing through the Coastal Restoration & Protection Fund. These resources support recurring expenditures.
Advanced Debt Payment - SGF	\$210.0	REC Non-Recurring Resources - New Orleans Convention Center, LDR Fraud Initiatives, LA Housing Corporation, Debt Recovery Office, FY 13 Prior Year Surplus and FY 12 Rescinded Capital Outlay Projects. This use of these resources "frees-up" SGF that would otherwise have been utilized on GO bond debt payments. This budget mechanism is essentially a way to get non-recurring resources into the state's operating budget.
Bond Premium - SGF	\$22.7	In FY 14 the state sold GO bonds that generated a bond premium. Much like the advanced debt payment discussed above, utilizing these resources reduces the amount of SGF allocated for debt payments. This resource basically frees-up a like amount of SGF to expend elsewhere in the FY 15 operating budget.
NOW Waiver - CDBG Program Income	\$12.2	Program Income generated from federal hurricane recovery funds
Corrections Retirement Costs - FEMA Reimbursements	\$6.0	FEMA Reimbursements from Gustav project worksheets
DOJ - Mortgage Settlement Funds	\$4.6	Monies will be exhausted in FY 15
State Library	\$1.4	Funding utilized in FY 15 as match for federal grant program, which will be utilized for recurring expenditures.
Department of Education	\$4.0	Funding utilized in FY 15 for enhancement to School Choice Program
<b>TOTAL</b>	<b>\$982.5</b>	

# REVENUE FLOW OF OVERCOLLECTIONS FUND & SGF SURPLUS RESOURCES



**Of the \$513,904,678 of resources depicted above, \$447,419,157 play a role in the creation of the FY 15 Budget.**