



STATE OF LOUISIANA
LEGISLATIVE FISCAL OFFICE
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TO: The Honorable Charles E. Kleckley, Speaker of the House of Representatives
 The Honorable James R. Fannin, Chairman of the House Appropriations Committee

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

DATE: May 12, 2014

SUBJECT: House Rule 7.19, HB 1 Reengrossed, Act 419, FY 16 Financing 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 – Reengrossed including a description of the changes that have occurred as a result of Act 419 and a discussion of the FY 16 financing 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 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 \$69 M of FY 15 Overcollections Fund resources as nonrecurring. *Note: Other non-recurring items include \$160.9 M – FY 13 Prior Year Surplus & \$20.2 M – Prior Year rescinded capital outlay projects.*

| TABLE 1 | |
|-------------------------|-------------------|
| Non-Recurring Item | SGF (in millions) |
| LDR Fraud Initiative | \$32.0 |
| LA Housing Corporation | \$27.0 |
| Office of Debt Recovery | \$10.0 |
| TOTAL | \$69.0 |

**REC recognized total non-recurring revenue of \$132 M, though the LA Housing Corporation figure was subsequently reduced from \$40 M to \$27 M and the \$50 M from the New Orleans Convention Center was removed in adopted HAC amendments to HB 1026.*

These specific nonrecurring resources include, \$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 (See Table 1).

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 M of pharmaceutical legal settlements, \$32.5 M from the Self-Insurance Fund, \$25 M of excess bond funding in the Office Facilities Corp., \$9.9 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 within the Division of Administration’s budget, \$3.7 M from surplus property sales excess receipts, and \$250,000 of excess receipts by the Office of Aircraft Services (See Table 2).

| Table 2 | |
|--|-------------------|
| Recurring Item | SGF (in millions) |
| Various Funds Sweeps | \$9.9 |
| DOA SGR | \$4.0 |
| LPAA SGR | \$3.7 |
| SGF Reversions | \$13.1 |
| Pharmaceutical Settlements | \$106.0 |
| Interest from Legal Settlement | \$9.0 |
| Sinking Fund for Major Repairs & Equipment Purchases | \$7.0 |
| Office of Aircraft Services | \$0.3 |
| Office Facilities Corporation | \$25.0 |
| Risk Management | \$32.5 |
| TOTAL | \$210.5 |

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 to be appropriated in HB 1 for FY 15 expenditure is \$0. See Table 3.

After adopted House Appropriations Committee amendments to HB 1 and HB 1026, there is \$0 HR 7.19 defined one-time money in HB 1 Engrossed.

Table 3 includes a detailed outline of all components considered in the LFO decision-making process to determine HR 7.19 defined one-

time money and potential financing needs in FY 16.

Even though there is \$0 of HR 7.19 defined one-time money in HB 1 Reengrossed, there is a minimum of \$954.2 M of resources appropriated in HB 1 Reengrossed that will require another financing source in the FY 16 budget. The \$954.2 M of financing needs are in addition to any other continuation budget requirements not yet solved in the FY 15 budget. These additional funding requirements will likely result in an FY 16 anticipated funding shortage in excess of \$954.2 M. See

| TABLE 3 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 | \$3,850,189 | |
| 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 | |
| Total Various Funds Sweeps | \$9,912,403 | |
| LA Housing Corporation | \$27,000,000 | |
| 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 | \$13,067,171 | |
| 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 | |
| SUB-TOTAL HB 1026 ORIGINAL RESOURCES (FUNDS BILL) | | \$279,429,574 |
| 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 | |
| SUB-TOTAL HISTORICAL DESIGNED NON-RECURRING RESOURCES | | \$181,042,275 |
| EXPIRING RESOURCES | | |
| Medicaid Trust Fund for the Elderly | \$233,734,602 | |
| TOPS Fund (Tobacco Refinance) | \$22,000,000 | |
| 2013 Tax Amnesty Fund (Phase I & Phase II) | \$217,824,592 | |
| Department of Revenue SGR (Retained fee collections from Tax Amnesty Program) | \$20,000,000 | |
| FY 14 Bond Premium | \$34,212,631 | |
| SUB-TOTAL EXPIRING RESOURCES | | \$527,771,825 |
| FEDERAL RESOURCES | | |
| CDBG Program Income (NOW Waivers) | \$0 | |
| Department of Corrections (IAT FEMA Reimbursements) | \$5,995,909 | |
| SUB-TOTAL FEDERAL RESOURCES | | \$5,995,909 |
| Total | | \$994,239,583 |
| Less: One-time expenditures | (\$284,254,906) | |
| Less: Act 419 statutorily dedicated funds | (\$493,559,194) | |
| Less: REC deemed recurring Overcollections Fund Resources | (\$210,429,574) | |
| Less: Federal Resources | (\$5,995,909) | |
| Total HR 7.19 Exceptions | | (\$994,239,583) |
| Total HR 7.19 One-Time Money | | \$0 |
| House Rule 7.19 Threshold (per latest adopted revenue forecast - 1/15/2014)* | | \$0 |
| Amount (Under)/Over Threshold | | \$0 |

*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 HB 1 without meeting the 2/3 vote requirement.

FY 16 Replacement Financing 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, but 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 4 below for a listing and description of resources being utilized in FY 15 that will likely require another revenue source in FY 16.

TABLE 4

| State Agency | Potential Financing Replacement in FY 16 (in millions) | FY 15 Funding Sources |
|--|---|--|
| Medicaid Program - Overcollections Fund | \$210.5 | \$210.5 M REC Recurring Overcollections Fund - funds sweeps, various DOA SGR resources, Pharmaceutical Settlements, Self Insurance Fund. These resources are utilized to fund recurring Medicaid expenditures (09-306). |
| MVP - Medicaid Trust Fund for the Elderly | \$233.7 | Monies will be exhausted in FY 15 and other resources will have to be identified in FY 16. |
| MVP - 2013 Tax Amnesty Fund | \$217.8 | Remaining Phase I & projected Phase II resources. Phase III collections could be utilized to replace a portion of these Medicaid expenditures though the specific amount of Phase III collections is indeterminable at this time. |
| Advanced Debt Payment - SGF | \$210.0 | REC Non-Recurring Resources - 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 | \$34.2 | 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. |
| Corrections Retirement Costs - FEMA Reimbursements | \$6.0 | FEMA Reimbursements from Gustav project worksheets have been utilized to pay recurring retirement costs in FY 15. |
| Department of Revenue | \$20.0 | SGF need due to exhausting all retained SGR proceeds from the Tax Amnesty Program. |
| TOPS Fund | \$22.0 | Remaining proceeds from the Tobacco Refinancing. These funds will have to be replaced in FY 16 from the TOPS Fund in the TOPS Program. |
| TOTAL | \$954.2 | |

REVENUE FLOW OF OVERCOLLECTIONS FUND & SGF SURPLUS RESOURCES

