

LEGISLATIVE FISCAL OFFICE
Fiscal Note



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

Date: May 12, 2014	3:13 PM	Author: FANNIN
Dept./Agy.: Statewide		Analyst: Travis McIlwain
Subject: Funds Bill		

FUNDS/FUNDING RE +\$190,017,171 SD RV See Note Page 1 of 2
 Provides for the transfer and deposit of monies among state funds

Proposed law 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 law provides that the greater of \$25 million from any source or 25% of any designated non-recurring monies be transferred annually to the Budget Stabilization Fund in FY 15, FY 16, and FY 17. 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 law changes the null and void date to July 1, 2017. Proposed law creates the Debt Recovery Fund. Proposed law provides for the transfer of various statutory dedicated fund balances into the Overcollections Fund. Proposed law provides for resources from the LA Housing Corporation, Self Insurance Fund, DOA excess SGR, LPAA excess SGR, Aircraft Services excess SGR, interest from underground storage tank payments (legal settlements), and SGF reversions to be transferred into the Overcollections Fund. Proposed law 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. Proposed law provides for the transfer of \$44.4 M of LDR SGR be transferred to the 2013 Amnesty Collection Fund. Proposed law provides for the transfer of nonrecurring revenues from LDR Fraud initiatives and Debt Recovery into the Overcollections Fund. Creates 2 new higher ed funds.

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	\$43,002,124	\$0	\$0	\$0	\$0	\$43,002,124
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$43,002,124	\$0	\$0	\$0	\$0	\$43,002,124

REVENUES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	(\$70,067,171)	\$356,000,000	(\$25,000,000)	(\$281,000,000)	SEE BELOW	(\$20,067,171)
Agy. Self-Gen.	(\$119,950,000)	\$0	\$0	\$0	\$0	(\$119,950,000)
Ded./Other	\$190,017,171	\$25,000,000	\$25,000,000	\$281,000,000	SEE BELOW	\$521,017,171
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$381,000,000	\$0	\$0	\$0	\$381,000,000

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 **\$173,429,574** from various resources into the Overcollections Fund, dedicates at a minimum **\$25 million** of SGF annually (FY 15, FY 16, FY 17) to the Budget Stabilization Fund (Rainy Day Fund), transfers **\$44.4 million** of SGR from LDR into the 2013 Tax Amnesty Fund and creates two new statutory dedicated funds (Deepwater Horizon Economic Damages Collections Fund and the 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 in the FY 15 column is revenue impact of both FY 14 and FY 15 combined.

Budget Stabilization Fund (Rainy Day Fund): R.S. 39:94(C)(b) provides 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 on 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 Stabilization 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) \$9,912,403: This bill provides for the transfer of \$9,912,403 of fund resources from 18 different funds with amounts ranging from \$111 to \$3.9 million. This funding is being utilized to fund various items within the FY 15 budget.

Overcollections Fund (nontraditional Resources) \$163,517,171: This bill provides for the transfer of \$163,517,171 of "nontraditional" resources into the Overcollection Fund. These resources are anticipated to come from: \$27 M - LA Housing Corporation, \$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), \$13,067,171 - 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 and \$25 M from Office Facilities Corporation (OFC). **SEE NEXT PAGE**

- 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}

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CONTINUED EXPLANATION from page one: Page 2 of 2

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 remainder 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. To the extent these BP revenues are received between FY 15 and FY 18, less SGF resources will be needed for the Stabilization Fund. NOTE: According to the Attorney General, no trial date has been set.

2013 Tax Amnesty Collections Fund: This bill provides for the transfer of \$44.4 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. The bill transfers \$44.4 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. 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 recurring or nonrecurring designation. 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 Defeasance	\$37,002,124
LDR Fraud Initiatives	\$32,000,000	UAL	\$6,000,000
Debt Recovery	\$10,000,000	Rainy Day Fund	\$25,000,000
TOTAL	\$69,000,000	TOTAL	\$68,002,124

Recurring Overcollections Fund Sources		Proposed Uses of Recurring Fund Sources	
Various Funds Sweeps	\$9,912,403	Medicaid (HB 1)	\$210,500,000
Self Insurance Fund	\$32,500,000	Casino Support Services Contract (HB 1)	\$3,600,000
Excess DOA SGR	\$4,000,000	TOTAL	\$214,100,000
Sinking Fund for Major Repairs (DOA SGR)	\$7,000,000		
Office Facilities Corporation (DOA SGR)	\$25,000,000		
LA Property Assistance Agency (LPAA)	\$3,700,000		
Office of Aircraft Services	\$250,000		
Interest from Legal Settlements	\$9,000,000		
SGF Reversions	\$13,067,171		
Pharmaceutical Settlements (Act 420 of 2013 RLS)	\$106,000,000		
TOTAL	\$210,429,574		


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 amounts in the chart above for these items represent how much is currently included within the current version of the FY 15 budget.

Competitive Core Growth Fund and Science, Technology, Engineering & Math (STEM) Upgrade Fund

This bill creates the Competitive Core Growth Fund and the Science, Technology, Engineering and Math (STEM) Upgrade Fund and is ambiguous as to how the monies will actually flow into these newly created funds. The proposed legislation requires the state treasurer to deposit into the Competitive Core Growth Fund 15.25% of the amount deposited into the Workforce & Innovation for a Stronger Economy Fund (WISE) and 5% of the amount deposited into the WISE Fund to be deposited into the STEM Upgrade Fund. It is unclear if the interpretation of the language equates to depositing 15.25% of the amount flowing into the WISE Fund or if the legislation intends for another unidentified revenue source (likely SGF) flowing into this fund with the WISE Fund amount as the basis of the calculation.

For illustrative purposes, using the current FY 15 anticipated WISE Fund amount of \$40 M, to the extent this legislation is interpreted that 15.25% and 5% of the monies deposited into the WISE Fund should be allocated to these new funds, the WISE Fund would retain \$31.9 M, with \$6.1 M being deposited into the Competitive Core Growth Fund and \$2 M into the STEM Upgrade Fund. However, to the extent this legislation is interpreted that the WISE Fund deposit is merely a basis for calculating the amount of deposit into these newly created funds, \$40 M would be deposited into the WISE Fund, \$6.1 M would be deposited into the Competitive Core Growth Fund, and \$2 M would be deposited into the STEM Upgrade Fund for a total likely SGF revenue dedication of \$48.1 M. Note: HB 1 currently budgets \$40 M in SGF to the Board of Regents for the Workforce & Innovation for a Stronger Economy Initiative. HB 1033 creates the WISE Fund, although there is no identified funding source. It is presumed the SGF in HB1 will provide the revenues, however, there is no language in HB1 which transfers these funds into the WISE Fund in the event HB 1033 is enacted into law. Furthermore, HB1 includes \$6.1M to address equity for some schools that have experienced rapid growth in recent years and to bring them closer in line with the average formula implementation rate. It also includes \$2M for STEM upgrades for Grambling State University and Southern University. Again, while there is no language included in HB 1, which would transfer these funds into the Competitive Core Growth Fund and STEM Upgrade Fund accordingly, that may have been the intent, rather than to distribute funds out of the total WISE Fund allocation.

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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} |
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| <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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