



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 389** HLS 14RS 282
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | | |
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| Date: May 20, 2014 | 5:17 PM | Author: LEGER |
| Dept./Agy.: | | Analyst: Greg Albrecht |
| Subject: Dedication To Casino Support Services Contract | | |

GAMING/REVENUE EN +\$3,600,000 SD RV See Note Page 1 of 1
 Provides relative to the casino support services contract

Current law requires the gaming control board to negotiate and agree to a casino support services contract with Orleans Parish, subject to approval of the Joint Legislative Committee on the Budget (JLCB). If the JLCB disapproves or does not act upon the amount of the contract, the contract shall be null and void. Support services include fire, police, sanitation, health, transportation, and traffic services. Current law also provides that monies paid to the state by the casino operator be deposited into the Support Education in Louisiana First Fund (SELF) for K-12 and higher education salary support. Proposed law prohibits the treasurer from depositing any monies into the Casino Support Services Fund (newly created by this bill) if JLCB disapproves or does not act on a contract. If a contract is approved, the first \$1.8 million of casino receipts are allocated to the new fund. The next \$60 million of receipts are deposited to the SELF fund for both K-12 and for higher education. Receipts in excess of \$61.8 million flow to the new fund until the contract is fully funded. The remainder of receipts are deposited to the SELF. Effective upon governor's signature.

| EXPENDITURES | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> | <u>2018-19</u> | <u>5 -YEAR TOTAL</u> |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 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> | \$0 |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

| REVENUES | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> | <u>2018-19</u> | <u>5 -YEAR TOTAL</u> |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| 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> | \$0 |
| Annual Total | | | | | | |

EXPENDITURE EXPLANATION

The latest casino support services contract was approved by the JLCB on 3/19/2014 for \$3.6 million for 2014-2015. An appropriation of \$3.6 million was made from the Overcollections Fund in FY13, and from SELF in FY12. Appropriations from the state general fund of \$3.6 million were made in FY07-10, \$1 million in FY04-06, and \$6m in FY00.

REVENUE EXPLANATION


From casino receipts, the bill requires the first \$1.8 million to be deposited into the Casino Support Services Fund, newly created by this bill. The next \$60 million of receipts are allocated to the SELF fund (supports salary expenses for pre-K through 12th grade teachers in the MFP and for college faculty). Receipts beyond that again flow to the new fund until the contract is fully funded. Receipts beyond that are deposited to the SELF.

In seven of the twelve years since 2002, the SELF fund has had end-of-year balances in excess of \$3.6 million (as little as -\$636,000 and as much as \$20.5 million). This subset of historical ending balances suggests that in some years receipts from casino operations could be sufficient to fully cover the salary obligations of the SELF fund and the allocation to the support services contact (at the \$3.6 million level).

However, in five of the twelve years since 2002, the SELF fund's end-of-year balances have been less than the \$3.6 million (as little as -\$636,000 and as much as \$1.3 million). For four recent complete fiscal years, FY09, FY10, FY11, and FY12 the SELF ending balance has been only \$1.3 million to \$1.6 million per year, and FY12 ended -\$636,000. This subset of historical ending balances suggests that in some years, and especially in recent years (albeit FY13 ended with a \$5.6 million balance), receipts from casino operations could be insufficient to fully cover the salary obligations of the SELF fund and the allocation to the support services contract (at the \$3.6 million level).

Although the bill provides that the Casino Support Service Fund receives it's full allocation (at the \$3.6 million level) only after \$61.8 million of casino receipts have been deposited to the SELF (\$63.6 million of total receipts), and any additional funding of the contract occurs from receipts above that level, it is possible that in some years the SELF fund obligations would not be fully covered. In those instances the state general fund would presumably be required to supplement the SELF obligations. This has occurred in FY11, FY12, FY13, and the FY14 proposed budget as state general fund financing has been added to the Minimum Foundation Program to supplement SELF fund and Lottery fund financing in the MFP (\$7.581 million, \$209,000, \$2.9 million, and \$7 million respectively), as the result of insufficient gaming activity revenue relative to SELF fund requirements.

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