

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



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

<b>Date:</b> May 28, 2014	12:35 PM	<b>Author:</b> FANNIN
<b>Dept./Agy.:</b> Statewide		<b>Analyst:</b> Travis McIlwain
<b>Subject:</b> Funds Bill		

FUNDS/FUNDING RE1 +\$167,317,171 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 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 & \$11 M WISE 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 Office into the Overcollections Fund. Transfer funds to Mega 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	SEE BELOW	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

REVENUES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	(\$45,067,171)	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	(\$45,067,171)
Agy. Self-Gen.	(\$122,250,000)	\$0	\$0	\$0	\$0	(\$122,250,000)
Ded./Other	\$167,317,171	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$167,317,171
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	<b>\$0</b>					<b>\$0</b>

**EXPENDITURE EXPLANATION**

Although this is not an appropriation measure, the bill directs treasury to transfer different amounts of nonrecurring Overcollections Fund resources for appropriation in the FY 14 supplemental appropriations bill. The amounts include: \$37,002,124 - debt defeasance, \$6,000,000 - UAL payment, \$25,000,000 to the Budget Stabilization Fund and \$11,000,000 for the WISE Initiative. Although this bill indicates that \$37 M from Overcollections Non-recurring resources for defeasance, according to the current version of HB 1094 only \$25 M of such funds will be utilized. In addition, the fund transfers into the Overcollections Fund, the fund transfers into the 2013 Tax Amnesty Collections Fund and the Mega-project Development Fund all play a role in FY 15.

**REVENUE EXPLANATION**

This bill transfers **\$208 million** 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, transfers **\$20 million** from the Mega Project Development Fund to the Rapid Response Fund, transfers **excess High Risk Pool Funds** to the Mega-project Development Fund and creates four new statutory dedicated funds (Deepwater Horizon Economic Damages Collections Fund, Debt Recovery Fund, Science, Technology, Engineering & Math Upgrade Fund, Competitive Core Growth 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, approximately \$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 \$25 M would be deposited into the Fund in FY 15, FY 16 and FY 17 and then approximately \$270 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. Although HB 1026 is not an Act, the proposed modification to the Rainy Day Fund included within this bill has already been incorporated into the out year SGF revenue forecast adopted by the REC in May 2014.

**Overcollections Fund (Fund Sweeps) \$41,082,829:** This bill provides for the transfer of \$41,082,829 of fund resources from 20 different funds with amounts ranging from \$111 to \$18.6 million. This funding is being utilized to fund various items within the FY 15 budget.

**Overcollections Fund (nontraditional Resources) \$166,917,171:** This bill provides for the transfer of \$166,917,171 of "nontraditional" resources into the Overcollection Fund. These resources are anticipated to come from: \$25 M - LA Housing Corporation, \$34 M - Self Insurance Fund, \$39.9 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.

**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. (SEE NEXT PAGE)

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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}         |
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} |                            |       | <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} |

*John D. Carpenter*  
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**CONTINUED EXPLANATION from page one:**

**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. Transferring these retained funds to this statutory dedication may result in LDR potentially needing SGF in FY 16 as opposed to utilizing these SGR in subsequent years.

**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.

NOTE: 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**

LA Housing Corporation	\$25,000,000
LDR Fraud Initiative	\$32,000,000
Debt Recovery	\$10,000,000
<b>TOTAL</b>	<b>\$67,000,000</b>

**Proposed Uses of Nonrecurring Overcollections Fund Sources**

Debt Defeasance	\$25,000,000
UAL	\$6,000,000
Rainy Day Fund	\$25,000,000
WISE Fund (HB 2)	\$11,000,000
<b>TOTAL</b>	<b>\$67,000,000</b>

**Recurring Overcollections Fund Sources**

Various Funds Sweeps	\$41,082,829
Self Insurance Fund	\$34,000,000
Excess DOA SGR	\$7,900,000
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
Go Zone Bond Repayments (Act 420 of 2013 RLS)*	\$25,528,429
Pharmaceutical Settlements (Act 420 of 2013 RLS)	\$106,000,000
<b>TOTAL</b>	<b>\$272,528,429</b>

**Proposed Uses of Recurring Fund Sources**

Medicaid (HB 1)	\$261,100,000
Casino Support Services Contract (HB 1)	\$3,600,000
<b>TOTAL</b>	<b>\$264,700,000</b>

\*HB 1 Reengrossed with Senate Finance Committee amendments includes \$25.5 M of resources being deposited into the Overcollections Fund from paying off GO Zone Bonds. This specific item may have been included in the Overcollections Fund total presented to the REC at its May 2014 meeting, but an itemized listing of the fund's components was not presented for REC consideration.

**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 Initiative 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 1033 creates the WISE Fund, although the bill does not identify an on-going funding source. HB 1 currently budgets \$29 M to the Board of Regents for the Workforce & Innovation for a Stronger Economy Initiative from the following funding sources: \$16.85 M - SGF, \$12.15 M IAT - CDBG Program Income. Additionally, there is an appropriation in HB 2 for the WISE Initiative funded from the WISE Fund that was transferred to the fund from the Overcollections Fund resources that are included within this proposed bill (HB 1026). However, other than the \$11 M in HB 2, there is no language in any other legislative instruments that transfers these funds into WISE Fund in the event HB 1033 is enacted into law. In FY 16 and thereafter, it is presumed the SGF in HB 1 will provide the revenues. Furthermore, HB1 includes \$6.1 M 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 \$2 M 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.

**LA Health Plan (Health Insurance High Risk Pool):** This bill provides for all excess funds remaining in the LA Health Plan to be transferred to the Mega-project Development Fund. The specific amount of resources that will actually be transferred are unknown at this time. However, the current version of HB 1 includes at least \$16 M of these resources appropriated in 20-931 (LED Debt Service).

**Other Fiscal Items:** This legislation eliminates the Small Business Surety Bonding Fund and the LA Filmmakers Grant Fund. In addition, this legislation transfers \$20 M from the Mega-project Development Fund to the Rapid Response Fund.

**Alvarez & Marsal (A & M):** This legislation authorizes the state treasurer to move funds identified by the commissioner of administration from the implementation of the plan by Alvarez & Marsal to the Overcollections Fund to effectuate HB 1 preamble requirements, subject to approval by the Joint Legislative Committee on the Budget (JLCB). This language allows for any non-expenditure recommendations of A & M that generate revenues to be deposited into the Overcollections Fund. For example, if one of the recommendations involves selling a state asset, the proceeds from the sale would be deposited into the Overcollections Fund and the DOA would process an in-house BA-7 that would reduce SGF (to meet the preamble requirements) and increase Overcollections Fund budget authority in a like amount.

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