

**LEGISLATIVE FISCAL OFFICE**

**Fiscal Note**



Fiscal Note On: **SB 253** SLS 16RS 46  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> March 22, 2016 6:24 PM	<b>Author:</b> PEACOCK
<b>Dept./Agy.:</b> LSU Health Sciences Center Shreveport, Division of Admin	<b>Analyst:</b> Willis Brewer
<b>Subject:</b> Relative to legacy costs appropriation for LSU HSC S	

FUNDS/FUNDING OR SEE FISC NOTE GF EX Page 1 of 1  
 Provides for a limitation relative to certain appropriations to the LSU Health Sciences Center of Shreveport (7/1/17).

Proposed law specifies that in any fiscal year monies that are not appropriated for the payment of certain legacy costs of any privatized hospitals that were formerly part of the LSU Health Sciences Center at Shreveport shall be the responsibility of the division of administration. Proposed law specifies that the appropriations for legacy costs and associated personnel shall not be reduced in the event of a budget deficit or fiscal emergency.

Proposed law defines legacy costs as liability and insurance coverage for worker's compensation; medical malpractice and property claims; auditing costs, civil service and training costs; personnel costs such as termination pay, unemployment compensation, and retiree health and life insurance benefits; and other miscellaneous costs, such as utilities, buildings and grounds maintenance, or administrative costs.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>						
REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
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	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	\$0	\$0	\$0	\$0	\$0	\$0

**EXPENDITURE EXPLANATION**

The proposed law will require the Division of Administration to absorb any portion of HSC Shreveport's legacy costs that are not appropriated to HSC Shreveport beginning July 1, 2017. Furthermore, any potential increase to HSC Shreveport legacy costs during the fiscal year or in any future year that exceeds the legacy appropriation may result in DOA having to absorb this cost. Additional expenses may arise from cost of living adjustments (COLAs) for retiree group insurance, increased cost for building maintenance, or increased cost for risk management.

LSU HSC Shreveport was appropriated \$19,839,573 State General Fund in FY 16 for the legacy costs associated with HSC Shreveport's privatized hospitals (HSC Shreveport hospital, E.A. Conway Medical Center, and Huey P. Long Medical Center). The FY 2016-2017 Executive Budget has reduced this appropriation by \$1,792,199 to \$18,047,374 based on revised estimates of legacy liabilities for the next fiscal year.

The Executive Budget non-recurred a FY 16 appropriation of \$30,905,706 for HSC Shreveport to meet their operational needs and the Executive Budget reduced Higher Education's SGF by 24% in FY 17. After the Executive Budget transfers all the Higher Education programs' SGF to the Board of Regents, the Board of Regents is responsible for the funding formula distribution that appropriates the SGF funding to Higher Education management boards which then distributes this allocation to their institutions. The Board of Regents has indicated that the available legacy appropriation has been kept separate from the available pool of funding that goes into the formula distribution indicating that any formula reduction is exclusive of the legacy costs appropriation. While the Board of Regents has not run the funding formula after the executive budget SGF reduction, it is assumed HSC Shreveport will be reduced a portion of this executive budget reduction. However, these two proposed reductions are not direct anticipated reductions to HSC Shreveport's legacy costs appropriation.

To the extent in FY 17 or any future year, the HSC Shreveport legacy cost liability is greater than the legacy cost appropriation, the appropriation for legacy costs is reduced, or the revised legacy allocation is included in and subsequently reduced by the BOR funding formula, then the Division of Administration would be responsible for the difference in anticipated legacy liability expenses and amount allocated to HSCS for legacy payments. It is assumed any additional costs applied to the division of administration as a result of the bill would require additional funding (assumed to be state general fund) or redirection from other expenses within DOA's budget to absorb these additional expenditures.

**REVENUE EXPLANATION**

There is no anticipated direct material effect on governmental revenues as a result of this measure.

- |   |  |              |
|---|--|--------------|
| <u>Senate</u>   | <u>Dual Referral Rules</u>   | <u>House</u> |
| <input 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"/> 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} |              |

*Evan Brasseaux*  
**Evan Brasseaux**  
**Staff Director**