

LEGISLATIVE FISCAL OFFICE

Fiscal Note



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

Date: April 13, 2016 2:58 PM	Author: PEACOCK
Dept./Agy.: LSU HSCS, HSCNO, HCSD, Division of Admin	Analyst: Willis Brewer
Subject: Relative to legacy costs appropriation for LSU hospitals	

FUNDS/FUNDING EG SEE FISC NOTE GF EX See Note Page 1 of 1

Provides for a limitation relative to certain appropriations for hospitals associated with the LSU Health Sciences Center of Shreveport, the LSU Health Sciences Center at New Orleans, and the LSU Health Care Services Division. (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, LSU Health Sciences Center at New Orleans, and LSU Health Care Services Division 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.	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$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
Annual Total	\$0					\$0

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
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

The proposed law will require the Division of Administration to absorb any portion of the privatized LSU Hospitals (HSC New Orleans, HSC Shreveport, and LSU HCSD) legacy costs that are not appropriated to these institutions effective July 1, 2017.

In FY 18 or any future year, to the extent the LSU privatized hospitals' 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/HSCNO/HCSD for legacy payments. Additional legacy expenses may arise from cost of living adjustments (COLAs) for retiree group insurance, increased cost for building maintenance, or increased costs for risk management.

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.

Based on LFO analysis, the FY 17 appropriation for legacy liabilities is insufficient to cover the anticipated FY 17 legacy costs.

	FY 17 Legacy Approp.	FY 17 Proj. Legacy Expenses ¹	FY 17 \$ Difference
HSCS	\$18,047,374	\$18,500,409	\$453,035
HCSD	\$21,171,455	\$23,120,192	\$1,948,737
HSCNO	\$5,553,547	\$8,553,547	\$3,000,000
Total	\$44,772,376	\$50,174,148	\$5,401,772

¹ Data provided 4/11/2016 by LSU

Based on this illustration, if the bill was effective for FY 17, DOA would be obligated to absorb these excess costs. However, the legacy appropriations and legacy costs for FY 18 and outgoing years is indeterminable at this time.

REVENUE EXPLANATION

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

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| Senate <u>Dual Referral Rules</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | House
<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} | <i>Evan Brasseaux</i>
<hr/> Evan Brasseaux
Staff Director |
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