



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: HB 452 HLS 13RS 717
Bill Text Version: ORIGINAL
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 19, 2013 5:01 PM Author: FANNIN
Dept./Agy.: Subject: Funds Bill Analyst: Travis McIlwain

FUNDS/FUNDING OR -\$213,337,518 GF RV See Note Page 1 of 2
Provides for the transfer of deposits and monies among state funds

Proposed legislation provides for the changes to the LA State Parks Improvement & Repair Fund by allowing an eligible use of maintenance & operations of existing park areas. Proposed legislation provides for all lease payments of state hospital buildings to be transferred into the Overcollections Fund. Proposed legislation provides for various sources of revenue including pharmaceutical legal settlements, property sales, revenues generated from Dept. of Revenue (LDR) Fraud/Debt Initiatives, New Orleans Exhibition Hall Authority, excess SGR from LDR, Go Zone Debt Repayments, excess collections from IAT and SGR, LA Housing Finance Agency, Self Insurance Fund, excess collections from the LA Property Assistance Agency (LPAA) and various other statutory dedicated actual and projected fund balances. Proposed legislation provides that monies in the Rapid Response Fund at the end of FY 13 shall not be included in the determination of the fund balance, requiring the state treasurer to deposit \$10 million into the fund on July 1, 2013.

Table with 7 columns: EXPENDITURES, REVENUES, 2013-14, 2014-15, 2015-16, 2016-17, 2017-18, 5-YEAR TOTAL. Rows include State Gen. Fd., Agy. Self-Gen., Ded./Other, Federal Funds, Local Funds, and Annual Total for both categories.

EXPENDITURE EXPLANATION

The proposed bill provides for the transfer of \$494.8 million of various funds and governmental resources into the Overcollections Fund. All of these resources are currently included within Higher Education's FY 14 budget.

REVENUE EXPLANATION

This bill provides for multiple resource transfers into the Overcollections Fund in the amount of \$494,840,279. The bill's impacts are discussed below.

LA State Parks Improvement & Repair Fund: This bill grants statutory authority to allow for maintenance and operations of existing park areas to be an eligible fund use. The Fund is derived from SGR from the state parks. Pursuant to R.S. 56:1703, the fund is to be used exclusively for improvements and repairs at state parks and is allocated 50% of SGR generated by each park. The remaining 50% of funds are to be used on a priority need basis. This bill adds a 5th eligible expense, maintenance & operations. Since FY 09, approximately \$25 million has been diverted from the fund for either operations at a specific park or for statewide operations of the park system (effective FY 13).

Hospital Lease Payments - \$93,250,000 (Overcollections Fund): This bill provides for state agencies to deposit into the state treasury all receipts of lease payments for the lease of state hospital buildings and then provides for the state treasurer to transfer all payments for the lease of state hospital buildings to the Overcollections Fund. These receipts are associated with the newly formed public/private partnerships. The Division of Administration (DOA) is anticipating collecting \$93,250,000 (effective FY 13).

Pharmaceutical Legal Settlements - \$37,771,871 (Overcollections Fund): This bill provides for legal settlement proceeds from pharmaceutical companies to be transferred into the Overcollections Fund. Absent this legislation, a portion of these settlement proceeds would have likely been deposited into the DOJ Legal Support Fund and the Medical Assistance Programs Fraud Detection Fund. There is \$37,771,871 of pharmaceutical legal settlements built into the FY 14 budget (effective FY 13).

Surplus Property Sales - \$42,442,000 (Overcollections Fund): This bill provides for the sale receipts of 5 various state properties to be transferred into the Overcollections Fund. The state properties to be sold and amounts included within the bill are as follows: \$12 million - Pointe Clair Farms, \$2 million - various Department of Wildlife & Fisheries (WLF) properties, \$10.25 million - Baton Rouge State Office Building, \$17.84 million - Southeast Hospital property, \$350,000 - Wooddale Towers. These anticipated sale revenues have been built into the FY 14 budget. Revenues generated from these sales would have otherwise likely flowed into the SGF, except for \$17.84 million (Southeast Hospital Property), which would have flowed into the DHH Facility Support Fund and the \$2 million from various WLF properties would have flowed into the Conservation Fund (effective FY 13).

Other Surplus Property Sales - \$???? (Overcollections Fund): This bill provides for the sale receipts of 6 other property sites to be transferred into the Overcollections Fund. These sale receipts have not been built into the FY 14 budget. However, to the extent these property sales occur, proceeds would be available for FY 14 or FY 15 appropriation. Thus, there are no dollar amounts listed within the bill. The listed properties include: Hart Parking Garage property, Greenwell Springs Hospital property, Pines Campus property, Southern Oaks Addiction Recovery property, Bayou Region property, and MDC Apartment property (effective FY 13).

Department of Revenue (LDR) Fraud Initiative - \$30,000,000 (Overcollections Fund): This bill provides for SGF collections in excess of \$3 million for the implementation of additional fraud initiatives within the Department of Revenue be transferred into the Overcollections Fund. According to the DOA, approximately \$3 million of fraud revenues is currently built into the adopted revenue forecast. The DOA & LDR anticipate collecting (see page 2)

- Senate Dual Referral Rules House
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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:**

an additional \$30 million of state resources for expenditure from new fraud initiatives. Presumably, these funds are to be generated due to the implementation of 3 efforts initiated within the LDR to combat fraud, 2 of which involve electronic verifications against existing public records and certain other corroborating data. The third effort provides 2 additional criminal investigators to the Attorney General (AG) to assist with fraud detection and enforcement efforts. From discussions with LDR, it appears that a material portion of this revenue is related to an anticipated increase in income tax collections. This bill provides for the state treasury to transfer fraud initiative receipts over \$3 million into the Overcollections Fund, essentially transferring anticipated excess SGF receipts before these receipts become SGF surplus (effective FY 13). **Rapid Response Fund Language:** Proposed bill provides that the FY 13 ending fund balance within the Rapid Response Fund will not be utilized by the state treasurer for purposes of determining the amount to be deposited into the fund at the beginning of the fiscal year pursuant to R.S. 51:2361(A)(2). This provision essentially requires the state treasurer to transfer a full \$10 million of SGF resources into this fund for FY 13. This \$10 million dedication has been accounted for in the latest adopted FY 14 revenue forecast. To the extent this language were to be removed from this bill, the \$10 million SGF dedication on page 2 of the REC documents would be eliminated, which would result in the overall SGF forecast increasing for FY 14 by \$10 million (effective FY 14). **Ernest Morial New Orleans Exhibition Hall Authority - \$100 million (Overcollections Fund):** This bill provides for the Convention Center to transfer \$100 million to the Overcollections Fund. The Convention Center is a political subdivision of the state created in 1978 by Act 305. According to the latest available audit (5/9/2012), as of December 2011, the Convention Center had approximately \$43.5 million in cash assets and \$125.4 million in investments. Potential issues associated with this resource transfer identified by the LFO include: 1.) Authority's bond rating will likely be reduced; 2.) original source of most of these funds is local tax collections. Note: Included within the current version of HB 2 is Priority 2 funding in the amount of \$6.5 million and \$93.5 million of Priority 5 funding (effective FY 14). **LDR SGR collections - \$26,750,959 (Overcollections Fund):** This bill provides for the transfer of \$26,750,959 of SGR collections from the LDR to be transferred into the Overcollections Fund. These proceeds are from the following sources: 1.) \$10 million - Debt Collections (Accounts Receivables) - After creation of a centralized collection unit within the Department of Revenue, this amount represents the anticipated collections of SGF accounts receivables in excess of that which is typically collected by impacted agencies, as estimated by the DOA and proposed in HB 629. However, this bill directs this money to be taken from the LDR SGR. At this time, there is no appropriation in place for administrative expenses related to the program in FY 14; 2.) \$6 million Vendor/Federal offset - This amount represents anticipated SGF collections as estimated by the DOA as a result of implementation of a vendor payment offset program in which federal vendor payments can be redirected to reimburse state debts and state vendor payments can be redirected to reduce federal debts. The program has not yet been implemented and is not expected to require additional legislation. However, this bill directs this money to be taken from LDR's SGR. At this time, there is no appropriation in place for administrative expenses related to the program in FY 14; 3.) \$10,750,959 excess SGR- This amount represents excess SGR from the Charitable Gaming Program (\$4.9 million) and the Tax Collection Program (\$5.9 million) (effective FY 14). **Go Zone Bond Repayments - \$28,284,500 (Overcollections Fund):** This bill provides for the transfer of loan repayments received from political subdivisions into the Overcollections Fund in the amount of \$28,284,500. Absent this legislation, the \$28.3 million of payments would otherwise flow into the SGF. Act 41 of the 2006 First Extraordinary Legislative Session authorized the state to issue state general obligation bonds pursuant to the Gulf Opportunity Zone Act of 2005 (Go Zone), which provided debt relief to various political subdivisions. The provision of the congressional act provided \$200 million in gulf tax credit bonds with a state match of \$200 million (General Obligation Bonds). There are currently 11 political subdivisions (2 have paid their debt in full) that owe the DOA a total of approximately \$303.9 million in principal and \$111.5 million in interest (\$415.3 million). To date, the DOA has collected approximately \$119.3 million in payments which includes \$77.9 million from the New Orleans School Board (paid entire debt in full in FY 12) and \$18 million from the Orleans Parish Law Enforcement District (paid entire debt in full in FY 13) (effective FY 14). Note: The FY 13 budget includes \$110,385,578 of Go Zone repayments and the proposed FY 14 budget includes the \$28.3 million previously discussed and \$16.4 million from Go Zone repayments transferred into MATF as previously authorized by Act 597 of the 2012 RLS for a total of \$44.7 million. **Excess Collections from Interagency Transfer (IAT) & SGR - \$10 million (Overcollections Fund) -** This bill provides for the transfer of excess collections from IAT and SGR of at least \$10 million into the Overcollections Fund. Unless noted in the appropriations bill, annual overcollections of SGR and/or IAT revenues revert to the SGF at the end of the fiscal year and are reported as part of the CAFR balance. This bill appears to recoup these excess resources before they become part of the CAFR balance at the end of the state's fiscal year. For illustrative purposes, last year the State Treasurer received approximately \$41 million of SGF reversions from SGR and IAT overcollections from various agencies (\$32.6 million - SGR, \$8.4 million - IAT). Since more than half of these excess collections are received from the Department of Insurance (\$15.4 million in FY 12) and the Office of Financial Institutions (\$11.4 million in FY 12), the adopted revenue forecast is already projecting the SGF to receive \$22 million in FY 14. Thus, this bill directs the state treasurer to transfer the remaining projected excess resources to the Overcollections Fund before these resources are captured as SGF surplus and limited to the 6 constitutional eligible uses of surplus funds (effective FY 14). **LA Housing Finance Agency - \$2 million (Overcollections Fund):** This bill provides for the LHFA (or newly created LA Housing Corporation) to transfer \$2 million to the Overcollections Fund. The FY 13 budget includes \$11 million from LHFA resources (effective FY 14). **Self Insurance Fund - \$16 million (Overcollections Fund):** This bill provides for the transfer of \$16 million from the Office of Risk Management's Self Insurance Fund to the Overcollections Fund (effective FY 14). **LA Property Assistance Agency (LPAA) - \$5 million (Overcollections Fund):** This bill provides for the transfer of \$5 million of resources from the LPAA to be transferred into the Overcollections Fund. The LPAA is an ancillary agency that manages the state's moveable property and ensures that all state agencies comply with the State Property Control & Fleet Management Regulations. LPAA's main source of revenues is surplus auction sales of used state equipment and vehicles. In FY 12, the agency generated \$5.4 million of SGR from sales of assets in FY 12. Revenues generated from the auction of state property accrues to either the selling agency or the LPAA, depending upon the original funding source used for the purchase of such property. If the property was purchased with federal grant funds, SGR or Statutory Dedications, the LPAA typically receives 20% of the proceeds, while the selling agency receives 80%. If the property was purchased with SGF, the LPAA receives the full amount generated from the auction. Because the LPAA is an ancillary agency, the agency keeps all unexpended funds from year-to-year. Based upon the FY 14 budget request, LPAA has approximately \$7.3 million of prior year cash carryover. This bill seeks to transfer \$5 million of this carryover amount into the Overcollections Fund (effective FY 14). **Various Fund Transfers - \$102,161,459 (Overcollections Fund):** This bill provides for fund transfers in the total amount of \$102.2 million from 41 different statutory dedicated funds in amounts ranging from \$76 to \$36.7 million. Based upon LFO analysis, which assumes all FY 13 existing operating budgeted amount and FY 14 recommended amounts will be completely expended, there is approximately \$9 million of the \$102.2 million in fund transfers that may not be available in FY 14 for transfer. Those funds within the LFO projected shortfall include: Artificial Reef Development Fund - (\$6.4 million), LA Charter School Start up Loan Fund - (\$0.6 million), Penalty & Interest Account - (\$0.6 million), Right to Know Fund - (\$0.4 million), Traumatic Head & Spinal Cord Injury Trust Fund - (\$0.5 million), 2% Fire Insurance Fund - (\$0.25 million). **Coastal Protection & Restoration Fund - \$1,181,147 (Overcollections Fund):** This bill provides for the transfer of \$1,181,147 of non-recurring SGF from a previous capital outlay project originally appropriated in 2008 (Act 7 of the 2008 Second Extraordinary Session) to the Coastal Protection & Restoration Fund with REC designated non-recurring SGF. The bill then provides for the transfer of \$1,181,147 from the Coastal Protection & Restoration Fund to the Overcollections Fund. The capital outlay project impacted is for the Port of Terrebonne.

This bill transfers a total of **\$494,840,279** of various FY 13 & FY 14 current and anticipated resources into the Overcollections Fund for FY 14 appropriation.

Senate Dual Referral Rules House  
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