



STATE OF LOUISIANA
LEGISLATIVE FISCAL OFFICE
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TO: The Honorable Charles E. Kleckley, Speaker of the House of Representatives
 Honorable Members of the House of Representatives

FROM: John D. Carpenter, Legislative Fiscal Officer *JDC*
 Evan J. Brasseaux, LFO Staff Director *EB*

DATE: May 30, 2014

SUBJECT: House Rule 7.19, HB 1 Reengrossed w/Senate Amendments, Act 419, FY 16 Financing Replacement

Pursuant to House Rule 7.19, the Legislative Fiscal Office (LFO) is required to submit a report to the House of Representatives, which indicates whether the appropriation bill appropriates one-time money within the Engrossed version of HB 1. The LFO is providing this list for HB 1 – Reengrossed with Senate amendments including a description of the changes that have occurred as a result of Act 419 and a discussion of the FY 16 financing decisions that will have to be made in FY 16 as a result of the current structure of the FY 15 operating budget. Also, page 4 includes an updated version of a flow chart that illustrates how a majority of these resources are being utilized in FY 15.

If you have any questions about any of the information presented in this memo, please contact me by email at carpenterj@legis.la.gov or by phone at 225-342-7233.

Act 419 of 2013 Regular Legislative Session

The Revenue Estimating Conference (REC) began comprehensively incorporating statutory dedications and self-generated revenue into the revenue forecast at the January 15, 2014 meeting. Virtually all monies associated with these additions to the forecast were designated as recurring revenue. The only exception to this was the designation of \$67 M of FY 15 Overcollections Fund resources as nonrecurring. *Note: Other non-recurring items include \$160.9 M – FY 13 Prior Year Surplus & \$20.2 M – Prior Year rescinded capital outlay projects.*

TABLE 1	
Non-Recurring Item	SGF (in millions)
LDR Fraud Initiative	\$32.0
LA Housing Corporation	\$25.0
Office of Debt Recovery	\$10.0
TOTAL	\$67.0

**REC recognized total non-recurring revenue of \$132 M, though the LA Housing Corporation figure was subsequently reduced from \$40 M to \$25 M and the \$50 M from the New Orleans Convention Center was removed in adopted HAC amendments to HB 1026.*

Table 2	
Recurring Item	SGF (in millions)
Various Fund Sweeps	\$41.1
DOA SGR	\$7.9
LPAA (State Surplus Property) SGR	\$3.7
SGF Reversions	\$13.0
Pharmaceutical Settlements	\$106.0
Interest from Legal Settlement	\$9.0
Sinking Fund for Major Repairs & Equipment Purchases (State Buildings)	\$7.0
Office of Aircraft Services SGR	\$0.3
Office Facilities Corporation	\$25.0
Risk Management	\$34.0
Go Zone Bond Repayment*	\$25.5
TOTAL	\$272.5

These specific nonrecurring resources include, \$32 M from Revenue Dept. fraud initiatives, \$25 M from the LA Housing Corp. (originally \$40 M when presented to the REC) and \$10 M from the Office of Debt Recovery (See Table 1).

Specific Overcollections Fund resources expected to be received in FY 14 but supporting the FY 15 budget, the majority of which has been designated recurring by the REC, include \$106 M of pharmaceutical legal settlements, \$34 M from the Self-Insurance Fund, \$25 M of excess bond funding in the Office Facilities Corp., \$41.1 M of various fund balances, \$13 M of estimated unspent SGF appropriations, \$9 M of interest from underground storage tank legal settlements, \$7 M from repair and maintenance sinking funds associated with state building bond financing, \$7.9 M of estimated

unspent SGR appropriations within the Division of Administration’s budget, \$3.7 M from surplus property sales excess receipts and \$250,000 of excess receipts by the Office of Aircraft Services (See Table 2).

**HB 1 Reengrossed with Senate 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.*

HR 7.19 One-Time Money List

Pursuant to HR 7.19(C)(2), the threshold calculation is the difference between the FY 15 SGF

forecast of \$8,682.6 B and FY 16 SGF forecast of \$8,921.8 B, which equates to a \$239.2 M threshold. Thus, based upon the HR 7.19, there can no more than \$239.2 M of HR 7.19 defined one time money in the FY 15 budget.

After Senate amendments to HB 1, HB 1026 and HB 1094 there is \$50,528,429 of one time money allowable by HR 7.19 in HB 1, which could be overstated depending upon whether health insurance high risk pool funds (\$16 M) and GO Zone Bond payoff funds (\$25.5 M) are actually included in the current Mega-project Development Fund and Overcollections Fund REC forecast. Table 3 includes a detailed listing of all components considered in the LFO decision-making process to determine HR 7.19 defined one-time money and potential financing needs in FY 16.

Even though there is \$50.5 M of HR 7.19 defined one time money in HB 1 Reengrossed with Senate amendments, there is at least \$991 M of resources appropriated in HB 1 Reengrossed with Senate amendments that will require another financing source in the FY 16 budget (See Table 4). The \$991 M of financing needs are in addition to any other continuation budget requirements not yet solved in the FY 15 budget. These additional funding requirements will likely result in an FY 16 anticipated funding shortage in excess of \$991 M.

TABLE 3		
HB 1026 RESOURCES (FUNDS BILL)		
Funds Sweeps		
Community Water Enrichment Fund	\$777,318	
DOJ Debt Collection Fund	\$90,375	
DOJ Legal Support Fund	\$191,558	
DHH Facility Support Fund	\$238	
DNA Testing Post-Conviction Relief for Indigent Fund	\$1,773	
Employment Security Administration Account	\$3,850,189	
FEMA Reimbursement Fund	\$35,375	
Fish & Wildlife Violations Reward Fund	\$679	
Hazardous Waste Site Cleanup Fund	\$2,681,729	
Health Care Facility Fund	\$267,900	
LA Interoperability Communications Fund	\$17,329	
LA Help Our Wildlife Fund	\$496	
Marketing Fund	\$24,064	
Medical & Allied Health Professional Education Scholarship & Loan Fund	\$187	
Small Business Surety Bonding Fund	\$409,144	
2% Fire Insurance Fund	\$1,544,046	
UNO Slidell Technology Park	\$111	
Variable Earnings Transaction Fund	\$19,892	
Payments Toward the UAL Fund	\$12,570,426	
Riverboat Gaming Enforcement Fund	\$18,600,000	
Total Various Funds Sweeps	\$41,082,829	
LA Housing Corporation	\$25,000,000	
Self Insurance Fund	\$34,000,000	
DOA Excess SGR and excess collections from LPAA & Aircraft Services	\$43,850,000	
Interest amounts earned from recoupment of underground storage tank settlements	\$9,000,000	
SGF Reversions	\$13,067,171	
LDR Fraud Initiative Resources	\$32,000,000	
Debt Recovery Fund	\$10,000,000	
Pharmaceutical legal settlements (Act 420 of 2013 RLS - Funds Bill)	\$106,000,000	
Go Zone Bond Repayment (Act 420 of 2013 RLS - Funds Bill) (Morial Convention Center Debt Payoff)	\$25,528,429	
SUB-TOTAL HB 1026 ORIGINAL RESOURCES (FUNDS BILL)		\$339,528,429
HISTORICALLY DESIGNATED NON-RECURRING RESOURCES		
RLS 2012 Rescinded Capital Outlay Projects previously funded with SGF	\$20,154,310	
FY 13 Prior Year SGF Surplus	\$160,887,965	
SUB-TOTAL HISTORICAL DESIGNATED NON-RECURRING RESOURCES		\$181,042,275
EXPIRING RESOURCES		
Medicaid Trust Fund for the Elderly	\$233,734,602	
Mortgage Settlement Monies (DOJ SGR)	\$4,563,971	
TOPS Fund (Tobacco Refinance)	\$22,000,000	
2013 Tax Amnesty Fund (Phase I & Phase II)	\$156,539,178	
SGF Savings (Executive Order Freezes) & SGF reductions all contained in HB 1094	\$7,438,153	
LA Health Insurance High Risk Pool	\$20,000,000	
FY 14 Bond Premium (February 2014)	\$34,212,631	
LA Lottery Reserves	\$9,000,000	
SUB-TOTAL EXPIRING RESOURCES		\$487,488,535
HB 2 APPROPRIATIONS		
WISE Initiative (Non-Recurring Overcollections Fund Resources)	\$11,000,000	
SUB-TOTAL HB 2 APPROPRIATIONS		\$11,000,000
CDBG PROGRAM SGR PROGRAM INCOME GENERATED FROM FEDERAL FUNDS		
CDBG Program Income (WISE Initiative)	\$12,150,000	
SUB-TOTAL FEDERAL RESOURCES		\$12,150,000
Total		\$1,020,209,239
Less: One-time expenditures	(\$287,257,030)	
Less: Act 419 Funds/SGR	(\$412,273,780)	
Less: REC deemed recurring Overcollections Fund Resources	(\$247,000,000)	
Less: Federal Resources	(\$12,150,000)	
Less: HB 2 Appropriations (WISE Initiative)	(\$11,000,000)	
Total HR 7.19 Exceptions		(\$969,680,810)
Total HR 7.19 One-Time Money		\$50,528,429
House Rule 7.19 Threshold (per latest adopted revenue forecast - 5/2014)*		\$239,200,000
Amount (Under)/Over Threshold		(\$188,671,571)
Itemized HR 7.19 Defined One-Time Monies:		
LA Health Plan Health Insurance High Risk Pool (Transfer into the Mega Project Development Fund)	\$16,000,000	
Go Zone Bond Repayment Debt Balance Payoff	\$25,528,429	
LA Lottery Reserves	\$9,000,000	
Total HR 7.19 One-Time Money		\$50,528,429

*Pursuant to HR 7.19 (C)(2), the threshold calculation is the difference between FY 15 SGF forecast of \$8,682.6 billion and FY 16 SGF forecast of \$8,921.8 billion. Thus, the HR 7.19 threshold is \$239.2 million.

FY 16 Replacement Financing Decision List

Although HR 7.19 contains a definition of “one-time money,” the rule itself is not indicative of the significant financing decisions that will have to be made in FY 16 relative to the current structure of the FY 15 operating budget. Due to this issue, the LFO is not only providing the HR 7.19 list to comply with the House Rule, but we are also providing you with a list of the significant potential FY 16 financing replacements that will have to be made as a result of the proposed FY 15 budget. See Table 4 below for a listing and description of resources being utilized in FY 15 that will likely require another revenue source in FY 16.

TABLE 4

<u>Program</u>	<u>Potential Financing Replacement in FY 16</u> <i>(in millions)</i>	<u>FY 15 Funding Sources</u>
MVP - Overcollections Fund	\$266.3	\$266.3 M REC Recurring Overcollections Fund - funds sweeps, various DOA SGR resources, Pharmaceutical Settlements, Self Insurance Fund, Go Zone Bond Repayments. These resources are utilized to fund recurring Medicaid expenditures (09-306).
MVP - Medicaid Trust Fund for the Elderly	\$233.7	Monies will be exhausted in FY 15 and other resources will have to be identified in FY 16.
MVP - 2013 Tax Amnesty Fund	\$156.5	Remaining Phase I & projected Phase II resources. Phase III collections are above projections from Phase II could be utilized to replace a portion of these Medicaid expenditures though the specific amount of Phase III collections is indeterminable at this time. Phase II collections are anticipated to be approximately \$100 M.
Advanced Debt Payment - SGF	\$210.0	REC Non-Recurring Revenues & other revenues - LA Housing Corporation (\$25 M), DOJ Mortgage Settlement Funds (\$4.6 M) and SGF savings and reductions included in HB 1094 (\$7.4 M) along with FY 13 Prior Year Surplus and FY 12 Rescinded Capital Outlay Projects is being utilized to fund the advance debt payment. This use of these resources frees up SGF that would otherwise have been utilized on GO bond debt payments. This budget mechanism is essentially a way to get non-recurring resources into the state's operating budget.
Bond Premium - SGF	\$34.2	In FY 14 the state sold GO bonds that generated a bond premium. Much like the advanced debt payment discussed above, utilizing these resources reduces the amount of SGF allocated for debt payments. This resource basically frees-up a like amount of SGF to expend elsewhere in the FY 15 operating budget.
Department of Revenue	\$20.0	SGF need due to exhausting all retained SGR proceeds from the Tax Amnesty Program.
TOPS Fund	\$22.0	Remaining proceeds from the Tobacco Refinancing. These funds will have to be replaced in FY 16 from the TOPS Fund in the TOPS Program.
Health Insurance High Risk Pool	\$16.0	Senate Finance Committee amendments provide for the remaining proceeds from the LA Health Insurance High Risk Pool to be transferred to the Mega-Project Development Fund once the plan has paid all of its current obligations. This risk pool is no longer needed due to Affordable Care Act (ACA) requirements. These funds are utilized to pay economic development obligations in lieu of utilizing SGF.
WISE Fund	\$23.2	\$12.15 M of CDBG Program Income and \$11 M of non-recurring Overcollections Fund resources are being utilized to fund the WISE Initiative (HB 1033) for FY 15. Utilizing these resources likely requires a State Action Plan amendment approval by HUD. These resources will have to be replaced in FY 16 as the current version of HB 1033 contemplates an annual program with at least \$40 M of appropriated resources obligated for this initiative.
LA Lottery Reserves	\$9.0	Senate floor amendment to HB 1026 (Funds Bill) provide for the LA Lottery Corporation to transfer \$9 M of its reserves to the State Treasury for deposit into the LA Mega-project Development Fund. These funds are utilized to pay economic development obligations in lieu of utilizing SGF.
Potential November 2014 Bond Sale	?	See information below
TOTAL	\$990.9	

The FY 15 budget anticipates a \$300 M bond sale that is expected to require SGF for debt service in FY 16, the amount of which will depend on the final structure of the bonds. Level debt at 5% over 20 years places this amount at \$24 M in principal and interest for FY 16.

REVENUE FLOW OF OVERCOLLECTIONS FUND & SGF SURPLUS RESOURCES

