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LEGISLATIVE FISCAL OFFICE
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TO: The Honorable Taylor F. Barras, 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

DATE: February 17, 2017

SUBJECT: House Rule 7.19, HB 8 Engrossed, FY 17 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 House Bill 8 (HB 8). The LFO is providing this information for HB 8 – Engrossed and a discussion of the FY 18 financing decisions that will have to be made as a result of the current structure of the proposed supplemental appropriations in FY 17 to address the mid-year deficit recognized by the Joint Legislative Committee on the Budget at its January 27, 2017, meeting.

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.

HR 7.19 One-Time Money List
Pursuant to HR 7.19(C)(2), appropriations from one-time money for ordinary recurring expenses may not exceed the projected growth of the state general fund from the fiscal year for which the appropriation is proposed and the subsequent fiscal year according to the most recent official forecast. The threshold calculation is the difference between the official state general fund (SGF) revenue forecast adopted by the Revenue Estimating Conference on January 13, 2017, for FY 17 of $9,284.1 M and for FY 18 of $9,469.6 M, which equates to $185.5 M of SGF revenue growth. Therefore, the amount of one-time funds as defined by HR 7.19 allowed to be appropriated in HB 8 for FY 17 expenditure is approximately $185.5 M. **There is no ($0) one-time money as defined in House Rule 7.19 in HB 8 Engrossed.**

FY 18 Replacement Financing Decision List
Although HR 7.19 contains a definition of "one-time money," the rule itself is not indicative of the financing decisions that will have to be made in FY 18 relative to the current structure of the FY 17 operating budget as adjusted by the supplemental appropriations bill, HB 8. Due to this issue, the LFO is not only providing the HR 7.19 list to comply with the House Rule, we are also providing you with a detail of significant potential FY 18 financing replacements that will have to made as a result of the proposed supplemental appropriation to address the FY 17 mid-year deficit. The LFO has identified $27.8 M in Fees & Self-generated Revenues (SGR) utilized as a supplemental appropriation that will likely require replacement in FY 18, in addition to any other continuation or other budget requirements that may be identified in the governor's executive budget to be presented on February 24, 2017, or those that may be identified by the legislature during the upcoming 2017 Regular Session.

Agency – Medical Vendor Payments

$12.5 M – HB 8 plans to execute a means of finance (MOF) swap replacing a like amount of SGF with SGR (backfill) as a partial solution to the 2nd mid year deficit. The plan includes increasing from a rate of 15% to 22.5% the SGR (Intergovernmental Transfer (IGT)) retained by the Louisiana Department of Health (LDH) from local governmental entities. LDH collects and retains a percentage of all IGT's sent from local governmental entities to use as a match source to fund the overall Medicaid Program. LDH proposes to retain a greater percentage (22.5%), or an additional $12.5M, for FY 17. The additional 7.5% retainage of IGT by LDH will be required again in FY 18 or additional SGF or other state match funds will be required to offset these monies.

$15.3 M – HB 8 plans to execute an MOF swap replacing a like amount of SGF with SGR (backfill) as a partial solution to the 2nd mid year deficit. Approximately $9 M in revenue will be received from the LSU Medical School in the form of an Intergovernmental Transfer (IGT) to LDH, which will be used to draw down an additional $15.4 M in federal funds. The $15.4 M in federal funds will ultimately be retained in the Medicaid budget to replace a like amount of SGF. These payments in FY 18 will require a similar state match financing mechanism or will require appropriation of additional SGF or other state funds to be used as match.

While not appropriated in HB 8, the bill contemplates the usage of $11.7 M additional one-time sources of monies to balance the FY 17 mid-year deficit as recognized by the JLCB at its January 27, 2017, meeting. The availability of these monies would have to be addressed in a separate legislative instrument (Funds Bill). Discussion of one-time and replacement monies needed for FY 18 must recognize that the plan proposed in HB 8 contemplates the usage of these one-time sources to address the FY 17 SGF deficit as listed below:

$9.7 M – Use of additional revenues related to Go Zone bond repayments. The LFO believes $4.84 M of these monies as originally contemplated in the governor's deficit are already included in the existing REC revenue forecast for FY 17. Therefore, this source will only provide $4.84 M in additional revenues available over the existing forecast to effectuate the deficit offset.

$2.0 M – Use of available fund balance from the Legislative Auditor Ancillary Enterprise Fund.