House Bill 33 HLS 15RS-28 Engrossed F with Senate Floor Amendment #2529 **Author: Representatives Berthelot and others** **Date: June 1, 2015** **LLA Note HB 33.03** **Organizations Affected:** **State and Statewide Retirement Systems** **EGF SEE ANALYSIS**	**This Note has been prepared by the Actuarial Services Department of the Office of the Legislative Auditor. The attachment of this Note to HB 33 provides compliance with the requirements of R.S. 24:521** *Paul T. Richmond* **Paul T. Richmond, ASA, MAAA, EA** **Manager Actuarial Services**

Bill Header: ENVIRONMENT/LITTERING: Provides with respect to fines for the offense of littering.

Cost Summary:

The estimated actuarial and fiscal impact of the proposed legislative is summarized below. Actuarial costs pertain to changes in the *actuarial present value of future benefit payments*. A cost is denoted by "Increase" or a positive number. Savings are denoted by "Decrease" or a negative number.

Actuarial Cost to Retirement Systems	$0
Total Five Year Fiscal Cost	
Expenditures	$0
Revenues	See Analysis

Estimated Actuarial Impact:

The chart below shows the estimated change in the *actuarial present value of future benefit payments*, if any, attributable to the proposed legislation. A cost is denoted by "Increase" or a positive number. Savings are denoted by "Decrease" or a negative number. Present value costs associated with administration or other fiscal concerns are not included in these values.

Actuarial Cost to:	**Change in the Actuarial Present Value**
All Louisiana Public Retirement Systems	$0
Other Post Retirement Benefits	$0
Total	$0

Estimated Fiscal Impact:

The chart below shows the estimated fiscal impact of the proposed legislation. This represents the effect on cash flows for the retirement systems and other government entities. Fiscal costs include estimated administrative costs and costs associated with other fiscal concerns. A fiscal cost is denoted by "Increase" or a positive number. Actuarial or fiscal savings are denoted by "Decrease" or a negative number.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	5 Year Total
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Agy Self Generated	0	0	0	0	0	0
Stat Deds/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

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	5 Year Total
State General Fund	See Analysis	See Analysis	See Analysis	See Analysis	See Analysis	See Analysis
Agy Self Generated	See Analysis	See Analysis	See Analysis	See Analysis	See Analysis	See Analysis
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	See Analysis	See Analysis	See Analysis	See Analysis	See Analysis	See Analysis
Annual Total	See Analysis	See Analysis	See Analysis	See Analysis	See Analysis	See Analysis

Bill Information:

Current Law

Current law imposes fines and other penalties on persons who dispose of or permit the disposal of litter upon any public place in the Louisiana or upon private property in the state not owned by him. Fines and penalties depend on the type of littering (simple littering, intentional littering, gross littering, and commercial littering). Fines and penalties also depend on whether the littering is the first offense, second offence, or the third or higher offence. Currrent law also specifies the entities that will share in and benefit from the fines levied. No retirement system currently receives a distribution from littering fines.

Proposed Law

HB 33 increases the fines imposed for litter violations. HB 33 also changes the entites that will share in and benefit from the fines collected. If HB 33 is enacted, the following retirement systems will receive a share of the revenues from fines.

1. The Louisiana State Employees Retirement System (LASERS).
2. The Louisiana State Police Retirement System (STPOL).
3. The Municipal Police Employees' Retirement System (MPERS).

These systems will receive 50% of revenues from fines resulting from arresting officers participating in each system.

The revenues received by each system will be used to reduce the oldest charge base associated with the unfunded accrued liability of that system. The payment schedule to pay off the charge base will not be reduced. In other word, the fines will be used to pay off the UAL of each system and will shorten the period over which the UAL will be paid.

Littering fines under current law are compared in Table 1 to such fines under HB 33

Table 1

Fines for Litter Violations

	Conviction	Current Law	HB 33
Intentional Littering	1st	250	500
Intentional Littering	2nd	500	500 – 1,000
Intentional Littering	3rd	1,250	1,500 – 2,500
Simple Littering	1st	75	150
Simple Littering	2nd	500	500 – 1,000
Gross Littering	1st	500 – 1,000	1,000 – 2,000
Gross Littering	2nd	1,000 – 2,500	2,000 – 5,000
Gross Littering	3rd	1,500 – 5,000	3,000 – 10,000
Commercial Littering		100	200

Implications of the Proposed Changes

If HB 33 is enacted, a percentage of the monies collected from fines on litter violations will be used to pay for the amortization of the unfunded liability bases of the retirement systems associated with the enforcement agency that issued the citation.

Cost Analysis:

Analysis of Actuarial Costs

HB 33 contains no benefit provisions having an actuarial cost.

Retirement Systems

HB 33 will generate additional revenues for LASERS, STPOL and MPERS. However, many different entities are involved in issuing citiations and collecting fines. There is a lack of data on the number of citations issued and fines collected for littering. But based on the data that is available and assuming that violations will remain the same in the future as in the recent past, we estimate that the three retirement systems will receive an additional $218,625 each year as a result of HB 33.

Table 2

Retirement System Share of Revenues from Fines Under Current Law

Retirement System	Type of Littering	Number of Violations	Fine	Fines Collected	Retirement System Share
LASERS	Simple	341	75	25,575	0
LASERS	Gross	224	500	112,000	0
Subtotal		565		137,575	0
STPOL	Simple	295	75	22,125	0
MPERS	Simple	39	75	2,925	0
Total		899		162,625	0

Retirement System Share of Revenues from Fines Under HB 33

Retirement System	Type of Littering	Number of Violations	Fine	Fines Collected	Retirement System Share
LASERS	Simple	341	150	51,150	25,575
LASERS	Gross	224	1,500*	336,000	168,000
Subtotal		565		387,150	193,575
STPOL	Simple	295	150	44,250	22,125
MPERS	Simple	39	150	5,850	2,925
Total		899		437,250	218,625

Fines that can be levied in this category range from $1,000 to $2,000. It is assumed that average fine will be $1,500.

Table 3 compares the amount of fines that will be received by each entity.

Table 3

Entity	Percentage Share		Allocation of Fines		Increase/ (Decrease)
	Current Law	HB 33	Current Law	HB 33	
Law Enforcement Agency Issuing the Citation	50%	25%	81,313	109,313	28,000
Retirement System of Agency Issuing the Citation	0%	50%	0	218,625	218,625
Sheriff, Parish or Municipality in which the Violation Occurred	30%	10%	48,787	43,725	(5,062)
District Attorny of the Judicial District in which the Violation Occurred	10%	5%	16,263	21,863	5,600
Public Defender's Office of the Judicial District in which the Violation Occurred	0%	5%	0	21,862	21,862
State Treasury for Litter Abatement and Education Account	10%	5%	16,262	21,862	5,600
Total	100%	100%	162,625	437,250	274,625

HB 33 could potentially lead to more fines being levied.

1. Law enforcement agencies may encourage its officers to levy more litering citations in order to reduce the employer contributions that must be paid from their individual budgets.

2. Sheriff, parish, or municipal agencies that may have a reduction in revenues due to HB 33 will perhaps also encourage the leaders of law enforment agencies to require its officers to issue more litering citations.

3. Law enforment officers may not be adverse to issueing more litering citations if they know that the financial condition of their respective reprtirement systems will be strengthened.

Other Post-Employment Benefits

There are no actuarial costs or savings associated with HB 33 for post-employment benefits other than pensions.

Analysis of Fiscal Costs

HB 33 will have the following effects on cash flows during the five year fiscal cost measurement period assuming the number of litering citations remains the same.

Expenditures:

- HB 33 will have no effect on expenditures from the state General Fund.

- HB 33 will have no effect on employer contribution requirements to LASERS, STPOL and MPERS (Agy Self-Generated) because, although the UAL for each system is reduced, amortization payments remain the same at least through the 5 year fiscal measurement period.

- HB 33 will have no effect on expenditures from Local Funds.

Revenues:

1. General Fund revenues will increase by $28,000.

2. LASERS revenues (Agy Self-Generated) will increase by $193,575 a year.

3. STPOL revenues (Agy Self-Generated) will increase by $22,125 a year.

4. MPERS revenues (Agy Self-Generated) will increase by $2,925 a year.

5. Local Fund revenues will increase by $28,000.

Revenues of the sheriff, parish or municipality may be reduced unless law enforcement officers within these jurisdictions issue enough citations.

Actuarial Data, Methods and Assumptions

This actuarial note was prepared using actuarial data, methods, and assumptions as disclosed in the most recent actuarial valuation report adopted by PRSAC.

Actuarial Caveat

There is nothing in HB 33 that will compromise the signing actuary's ability to present an unbiased statement of actuarial opinion.

Actuarial Credentials:

Paul T. Richmond is the actuary for the Louisiana Legislative Auditor. He is an Enrolled Actuary, a member of the American Academy of Actuaries, a member of the Society of Actuaries and has met the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinion contained herein.

Dual Referral:

Senate	House
☐ 13.5.1: Annual Fiscal Cost ≥ $100,000	☐ 6.8(F)(1): Annual Fiscal Cost ≥ $100,000
☐ 13.5.2: Annual Tax or Fee Change ≥ $500,000	☐ 6.8(F)(2): Annual Revenue Reduction ≥ $100,000
	☐ 6.8(G): Annual Tax or Fee Change ≥ $500,000