

**LEGISLATIVE FISCAL OFFICE**

**Fiscal Note**



Fiscal Note On: **HB 802** HLS 09RS 1425  
 Bill Text Version: **ENGROSSED**  
 Opp. Chamb. Action: **W/ SEN FLOOR AMD**  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> June 18, 2009	10:49 AM	<b>Author:</b> FANNIN
<b>Dept./Agy.:</b>		<b>Analyst:</b> Travis McIlwain
<b>Subject:</b> Fund Transfers		

FUNDS/FUNDING EGF -\$209,151,554 GF RV See Note Page 1 of 2  
 Provides for the transfer and deposit of monies among state funds

Proposed legislation creates the Rainy Day Fund within the state treasury. Proposed legislation provides that upon two-thirds of the elected members of each house of the legislature authorization will be granted to the Revenue Estimating Conference (REC) to incorporate a portion not to exceed one-third of the balance of the Budget Stabilization Fund into the official forecast and the amount not utilized in FY 10 shall be deposited into the newly created Rainy Day Fund. Proposed legislation specifically provides that the Budget Stabilization Fund shall not be replenished until the official forecast exceeds the actual collections of state general fund revenue for fiscal year 2008. This bill provides for the transfer of \$24,378,056 of total statutory dedicated funding from various funds into the state general fund in accordance with the FY 09 Deficit Reduction Act. Provides for the transfer of \$4,929,610 of FY 09 excess state general fund into the Overcollections Fund. Proposed legislation transfers \$43,104,580 from various statutory dedicated funds into the Overcollections Fund. Proposed legislation transfers a total \$100,582 from the Conservation Fund into 3 various other funds: **(Cont. on Page 2)**

<b>EXPENDITURES</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

<b>REVENUES</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	(\$209,151,554)	(\$127,000,000)	(\$136,000,000)	SEE BELOW	SEE BELOW	<b>(\$472,151,554)</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$209,151,554	\$127,000,000	\$136,000,000	SEE BELOW	SEE BELOW	<b>\$472,151,554</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**EXPENDITURE EXPLANATION**

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The state general fund deposits and various statutory dedicated fund deposits will presumably be appropriated within FY 10 or FY 09. If not, these monies will remain within their respective funds until the legislature appropriates or directs the state treasurer to transfer such fund balances elsewhere.

**REVENUE EXPLANATION**

Although a portion of these fund transfers will take place in FY 09 and FY 10, the revenue table above assumes all fund transfers are an FY 10 impact.

**Rainy Day Fund**

This bill creates the Rainy Day Fund, which is not to be confused with the Budget Stabilization Fund. Per the current constitution and current statutes, the amount available for usage from the Budget Stabilization Fund in FY 10 is \$258,531,097 (1/3 of balance as of July 1, 2008 - \$775,593,291). To the extent that two-thirds of the elected members of each house authorize the Revenue Estimating Conference to incorporate the Budget Stabilization Fund into the official revenue forecast, the remaining amount of funds not utilized for FY 10 will be deposited into this newly created fund. The bill is silent as to how much of the \$258.5 million will be utilized in FY 10. However, public testimony on the matter indicates that one-third of the \$258.5 million could be utilized, or \$86.2 million, and the remaining \$172.3 million will remain within the Rainy Day Fund for future fiscal year appropriation. This bill also extends the replenishing of the Budget Stabilization Fund to when the official forecast exceeds the actual collections of state general fund revenue for fiscal year 2008. The current forecast through FY 13 does not project revenue collections in excess of FY 08 collections.

**FY 09 Deficit Reduction Plan**

This bill transfers \$24,378,056 from various statutory dedicated funds into the state general fund in accordance with the FY 09 Deficit Reduction Plan. Essentially, the statutory dedicated reductions associated with the FY 09 Deficit Reduction Plan forced fund balances which are then transferred into the state general fund.

**Higher Education Restoration Fund**

This bill creates the Higher Education Restoration Fund and provides that additional revenue received by the state as a result of HB 689 of the 2009 Regular Legislative Session will be deposited into this fund. HB 689, with Senate amendments, retains the deduction at the 65% level in effect for tax year 2008, for an additional three years: tax years 2009, 2010, and 2011. The 100% deduction would be available starting with tax year 2012. These provisions are remedial and procedural, and shall apply prospectively and retroactively. The fiscal impact of such a measure is additional state general fund revenues of: FY 10 \$118 million, FY 11 \$127 million, FY 12 \$136 million. **(CONTINUED ON PAGE 2)**

Senate

Dual Referral Rules

House

13.5.1 >= \$500,000 Annual Fiscal Cost

6.8(F) >= \$500,000 Annual Fiscal Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

*H. Gordon Monk*

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**Legislative Fiscal Officer**



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CONTINUED EXPLANATION from page one:

BILL SUMMARY CONTINUED:

\$21,825 - LA Duck License Stamp & Print Fund, \$65,014 - Wildlife Habitat & Natural Heritage Fund, \$13,743 - LA Wild Turkey Stamp Fund. Proposed legislation also extends the State Emergency Response Fund (SERF) bridge loan funding deadline for the Department of Education from the end of FY 09 to the end of FY 10. This bill creates the Higher Education Restoration Fund and directs the state treasurer to deposit revenues generated from HB 689 of the 2009 Regular Legislative Session into that fund. This bill also supersedes all other legislative instruments being proposed in the 2009 Regular Legislative Session that abolish the Insure LA Incentive Program Fund and dictates that the monies within that fund remain within the fund. Proposed legislation transfers \$118 million FY 09 excess state general fund revenues into the Higher Education Restoration Fund. Effective upon the signature of the governor, Proposed legislation provides for the transfer of \$3.9 million from the Incentive Fund to the state general fund. Provides for modifications to the Rapid Response Fund and transfers \$13.5 million from that fund to the state general fund. Effective July 1, 2009.

REVENUE EXPLANATION CONTINUED:

The current official revenue estimate for FY10 and beyond already expects the scheduled increase in the excess itemized deduction, from 65% (affecting FY09) to 100% (affecting FY10 and beyond). Consequently, the revenue forecast has been reduced by \$118 million for FY10, from a baseline 65% excess itemized deduction, with 7.5% growth each fiscal year thereafter. Thus, by holding the deduction at the 2008 (65%) level for tax years 2009, 2010, and 2011, the amounts mentioned above are the amounts this bill would allow the forecast to retain.

In addition, this legislation transfers \$118 million of FY 09 excess state general fund into the Higher Education Restoration Fund. Thus, the total fund balance deposits into this fund as a result of this bill is \$236 million.

NOTE: The original proposed usage of the FY 09 excess state general fund was to be deposited into the Medical Assistance Trust Fund (MATF) to be utilized in subsequent fiscal years to assist projected shortfalls in the Medicaid Program as a result of stimulus monies being depleted by FY 11 (enhanced FMAP ends December 31, 2010). The original version of this bill had \$344.5 million of FY 09 excess state general fund, which is state general fund savings from FY 09 stimulus monies, being deposited into MATF. Senate amendments deleted this original transfer and deposits \$118 million of this FY 09 excess state general fund into the Higher Education Restoration Fund, while the remaining \$226.5 million FY 09 excess state general fund has not been deposited in any other fund. To the extent the \$226.5 million FY 09 excess state general fund is not appropriated in the FY 09 supplemental appropriations bill or transferred to a statutory dedicated fund, these monies will likely become state general fund surplus and be limited to the constitutional spending provisions.

Insure Louisiana Incentive Fund:

This bill provides that the Insure LA Incentive Fund shall not be abolished and supersedes any other bill proposed during the 2009 Regular Legislative Session that seeks to abolish this fund, including SB 193 of the 2009 Regular Legislation, shall not apply. As of June 1, 2009, there is \$75,541,379 within this fund and this language essentially takes this funding off-the-table for purposes of appropriation unless such appropriation is directly from the fund itself. However, Title 22 limits the funds expenditures to be within the Department of Insurance's Insure Louisiana Incentive Program.

Other Items:

This bill transfers \$3.9 million from the Incentive Fund into the state general fund (effective in FY 10). This measure also transfers \$4,929,610 state general fund and \$43,104,580 from various other funds into the Overcollections Fund for a total increase in the Overcollections Fund balance available for expenditure in FY 09 and FY 10 of \$48,034,190.

Legislation provides that the FY 09 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 allows the state treasurer to transfer \$10 million of state general fund into this fund for FY 10. This \$10 million dedication has been accounted for in the latest adopted FY 10 revenue forecast.

Legislation also extends the repayment by the Department of Education of bridge loan funding from the State Emergency Response Fund (SERF) from the end of FY 09 to the end of FY 10. Act 196 of the 2007 Regular Legislative Session provided for a bridge loan repayment at the end of FY 09. Included within the FY 07 budget for the Recovery School District was \$33.5 million SERF monies to be used to provide bridge funding to the Department of Education in anticipation of reimbursement from the federal government. Bridge funding is to be utilized solely for expenses incurred as a result of Hurricanes Katrina and Rita.

Below is a table of the state general fund impact as a result of this measure:

Table with 2 columns: Amount and Description. Includes rows for \$3,900,000 transfer from Incentive Fund, \$13,500,000 transfer from Rapid Response Fund, \$4,929,610 transfer to Overcollections Fund, and \$118,000,000 transfer to Higher Education Restoration Fund. Total state general fund impact: \$209,151,554.

Senate

Dual Referral Rules

House

13.5.1 >= \$500,000 Annual Fiscal Cost

6.8(F) >= \$500,000 Annual Fiscal Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

Signature of H. Gordon Monk, Legislative Fiscal Officer