



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: HB 566 HLS 15RS 511
Bill Text Version: ORIGINAL
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Table with metadata: Date: May 17, 2015 12:45 PM; Author: FANNIN; Dept./Agy.:; Subject: Fund Transfers; Analyst: Travis McIlwain

FUNDS/FUNDING OR +\$25,900,000 SD RV See Note Page 1 of 2
Provides for the transfer and deposit on monies among state funds

Proposed bill provides for various statutorily dedicated fund transfers into either the Overcollections Fund (\$105.7 M), Lottery Proceeds Fund (\$5.9 million) or the Budget Stabilization Fund (\$44.6 million). Proposed bill eliminates the Telephone Company Property Assessment Relief Fund. Proposed bill directs the state treasurer to deposit \$10 million annually into the Rapid Response Fund as opposed to an amount to bring the balance to \$10 million.

Table: EXPENDITURES 2015-16 2016-17 2017-18 2018-19 2019-20 5-YEAR TOTAL
State Gen. Fd. \$0 \$0 \$0 \$0 \$0 \$0
Agy. Self-Gen. \$0 \$0 \$0 \$0 \$0 \$0
Ded./Other SEE BELOW SEE BELOW SEE BELOW SEE BELOW SEE BELOW
Federal Funds \$0 \$0 \$0 \$0 \$0 \$0
Local Funds \$0 \$0 \$0 \$0 \$0 \$0
Annual Total

Table: REVENUES 2015-16 2016-17 2017-18 2018-19 2019-20 5-YEAR TOTAL
State Gen. Fd. SEE BELOW SEE BELOW SEE BELOW SEE BELOW SEE BELOW
Agy. Self-Gen. \$0 \$0 \$0 \$0 \$0 \$0
Ded./Other \$25,900,000 SEE BELOW SEE BELOW SEE BELOW SEE BELOW \$25,900,000
Federal Funds \$0 \$0 \$0 \$0 \$0 \$0
Local Funds \$0 \$0 \$0 \$0 \$0 \$0
Annual Total

EXPENDITURE EXPLANATION

Although this is not an appropriation measure, the bill directs treasury to transfer different amounts of resources into the Overcollections Fund and the Lottery Proceeds Fund for either FY 15 appropriation or FY 16 appropriation. Of the total \$125,666,978 proposed to be transferred into the Overcollections Fund, approximately \$59 million is being utilized in FY 15 to offset a portion of the mid-year SGF reductions and \$46.7 million may be utilized in FY 16.

REVENUE EXPLANATION

The proposed legislation provides for the aggregate transfer of approximately \$176.2 million of various monies from various sources into either the Budget Stabilization Fund (\$44.6 million), the Overcollections Fund (\$125.7 million) or the Lottery Proceeds Fund (\$5.9 million). The specific funds transferred into the Overcollections Fund by this bill are listed below:

- \$15,000,000 - Insurance Verification Fund
\$9,326,978 - Riverboat Gaming Enforcement Fund
\$3,540,000 - Employment Security Administration Account
\$4,200,000 - Penalty & Interest Account
\$12,000,000 - Self Insurance Fund
\$11,100,000 - Resources from LA Department of Revenue (LDR)
\$500,000 - LA Office Building Corporation
\$20,000,000 - LA Public Facilities Authority (LPFA)
\$50,000,000 - Telephone Company Property Assessment Relief Fund (5/14/2015 adopted revenue forecast)
\$125,666,978 Total Overcollections Fund Transfers

Louisiana Public Facilities Authority (LPFA) - \$20 M

The proposed transfer of \$20 million from the Louisiana Public Facilities Authority (LPFA) to the Overcollections Fund may not be currently available for transfer. According to information provided by the LPFA to the Legislative Fiscal Office, the total value of capital (as of December 31, 2014) is \$28.8 million of which \$14.8 million are notes receivable (non-cash), \$13.2 million is preliminarily committed for LPFA revolving loan programs, while only \$0.8 million is considered not committed or restricted.

LA Lottery Corporation - \$5.9 M

In addition to transferring approximately \$126 million into the Overcollections Fund, this bill also provides for the transfer of \$5.9 million from the unrestricted fund assets of the LA Lottery Corporation to the Lottery Proceeds Fund. According to the LA Lottery, based upon the corporation's latest projections, the corporation's retained earnings is anticipated to be \$13.9 million for ending FY 15. However, of that projected amount of retained earnings, approximately \$7.8 million is actually cash being held within the Corporation's Prize & Litigation Reserve. These reserve funds are utilized to offset any potential litigation costs associated with lawsuits that are filed against the corporation. Pursuant to R.S. 47:9030(B), the corporation is a self-sustaining and self-funded entity and monies in the SGF cannot be utilized to pay the expenditures of the corporation. To the extent the \$5.9 million is actually swept, the corporation will only have approximately \$1.9 million remaining within its reserve for its use to mitigate any future unanticipated obligations. (See page 2)

- Senate Dual Referral Rules House
13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}
6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S}
6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Signature of John D. Carpenter
John D. Carpenter
Legislative Fiscal Officer

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CONTINUED EXPLANATION from page one:

Telephone Company Property Assessment Relief Fund

This bill eliminates the Telephone Company Property Assessment Relief Fund. According to the Department of Revenue, pursuant to R.S. 47:302, 321 & 331 approximately 36% of the avails of sales and use tax attributable to telecommunication services are dedicated to the Telephone Company Property Assessment Relief Fund, which collects approximately \$20 million on average annually. Currently, upon notification by the Department of Revenue these resources are transferred by State Treasury to the SGF to offset the revenue loss associated with telecommunication companies claiming a corporate tax credit against ad valorem taxes paid to political subdivisions. Unlike most traditional tax credits, this credit has its own funding source and dedication. This bill effectively eliminates the dedication, but keeps the funding source of dedication, which will now flow into the SGF. Therefore, instead of the sales and use tax collections being deposited into the fund for use to offset the credit being filed, these resources will flow into the SGF with the credit being taken against the SGF as opposed to the dedicated fund. For the past 3 fiscal years, the amount of revenues (sales & use taxes) flowing into the fund has been more than the actual amount of credits claimed within that same fiscal year. Therefore, to the extent this continues, there may be a net increase in SGF revenue, which is reflected in revenue table in subsequent fiscal years.

Budget Stabilization Fund

This bill also provides for the transfer of \$44.6 million into the Budget Stabilization Fund of the \$178 M REC designated FY 14 SGF surplus (FY 14 cash position). Pursuant to R.S. 39:54, 25% of designated non-recurring monies, in this case the FY 14 cash position, is deposited into the Budget Stabilization Fund. The fund balance at the beginning of FY 15 was \$444.5 million. After depositing the \$44.6 M, the fund will have an approximately \$490 M balance.

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|---|----------------------------|--------------|--|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S} |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

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