Louisiana Legislative Fiscal Office Fiscal Notes

LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 384** HLS 11RS 500
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: June 8, 2011 6:56 AM | **Author:** PEARSON
Dept./Agy.: Revenue
Subject: Use of Non-recurring Revenue - Minimum To UAL Payments | **Analyst:** Greg Albrecht

RETIREMENT/FUNDING EG SEE FISC NOTE SD RV See Note

(Constitutional Amendment) Provides for a minimum of ten percent of nonrecurring revenue be applied toward reducing the balance of the unfunded accrued liability of the state retirement systems

Current law {Art. VII, §10(D)(2)} allows officially designated non-recurring money to be used only for (1) 25% to the Budget Stabilization Fund, (2) debt retirement or defeasance, (3) additional retirement system unfunded accrued liability payments, (4) capital outlay projects, (5) deposits to the Coastal Protection and Restoration Fund, and (6) new highway construction eligible for federal matching funds.

Proposed law provides that for FY14 and FY15 a minimum of 5% and for FY16 and beyond a minimum of 10%, of designated non-recurring money be allocated for additional payments to the unfunded accrued liability existing as of June 30, 1988 of the State Employees Retirement System and the Teachers Retirement System. To be submitted to the electors at the statewide election on October 22, 2011.

EXPENDITURES	2011-12	2012-13	2013-14	2014-15	2015-16	5 -YEAR TOTAL
State Gen. Fd.	$0	$0	SEE BELOW	SEE BELOW	SEE BELOW	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./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	2011-12	2012-13	2013-14	2014-15	2015-16	5 -YEAR TOTAL
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	SEE BELOW	SEE BELOW	SEE BELOW	**$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**

EXPENDITURE EXPLANATION

Making additional UAL payments can have dramatic effects on the outstanding UAL balance and the amount of annual payment necessary, depending on how additional payments are applied (reduce end-of-schedule payments or flatten payment schedule, for example). Substantial initial UAL liability for these two systems exists. Currently estimated as of the end of FY11, the combined IUAL will be some $9.455 billion. Scheduled combined annual payments are over $700 million in FY11 and rise to nearly $1.3 billion by FY28.

REVENUE EXPLANATION

By mandating a minimum allocation (5% for FY14 and FY15, and 10% for FY16 and beyond) of officially designated non-recurring revenue be used to make additional UAL payments to two specific state retirement systems, less of those monies are available to be allocated to the other allowable uses of non-recurring revenue; debt retirement/defeasance or to various capital outlay and road projects. The allocation to the Budget Stabilization Fund is not affected because it gets a fixed share of non-recurring monies (up to 25% of the designated amount if the Fund is not already at it's maximum balance). It is also possible to supplement the operating budget of the state, if desired and to a limited extent, with non-recurring monies utilized to defease state debt. To the extent allocations are made to the minimum use provided by this bill, the ability to supplement the annual operating budget through this mechanism is also reduced.

The Revenue Estimating Conference officially designates as non-recurring revenue end-of-year state budget surpluses, when they occur. Other designations are infrequent, involving extraordinary events such as the initial payment of the land-based casino or tax amnesty programs. The likelihood of this new minimum allocation being funded, over a multi-year period is relatively good. In eight of nine years where REC state general fund direct budget balances have been calculated a surplus has occurred (the first deficit was in FY10). With respect to accounting balances, sixteen of the last twenty-four years reflected surpluses, or 2/3 of the years. The actual surplus amounts, from which this bill's 10% allocation would be generated, can vary widely from year to year; from as low as $18 million (FY02) to as high as $1.088 billion (FY07) for REC based budget balances, or from as low as $27 million (FY01) to as high as $1.157 billion (FY07).

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

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