



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 822** HLS 12RS 1277
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 5, 2012	10:30 AM	Author: FANNIN
Dept./Agy.:		Analyst: Travis McIlwain
Subject: Fund Transfers		

FUNDS/FUNDING OR -\$198,467,867 GF RV See Note Page 1 of 2
 Provides for the transfer and deposit of monies among state funds

Proposed legislation provides that insurance premium taxes paid by Medicaid-enrolled managed care organizations shall be deposited into the Louisiana Medical Assistance Trust Fund (MATF). Proposed legislation provides for the transfer of various funds and resources into either the Louisiana Medical Assistance Trust Fund, Overcollections Fund or Budget Stabilization Fund (Rainy Day Fund). Proposed legislation provides that monies in the Rapid Response Fund at the end of FY 10 shall not be included in the determination of the fund balance, requiring the state treasurer to deposit \$10 million into the fund on July 1, 2012.

EXPENDITURES	2012-13	2013-14	2014-15	2015-16	2016-17	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total		\$0	\$0	\$0	\$0	\$0

REVENUES	2012-13	2013-14	2014-15	2015-16	2016-17	5 -YEAR TOTAL
State Gen. Fd.	(\$198,467,867)	(\$11,600,000)	(\$11,600,000)	(\$11,600,000)	(\$11,600,000)	(\$244,867,867)
Agy. Self-Gen.	(\$22,550,000)	\$0	\$0	\$0	\$0	(\$22,550,000)
Ded./Other	\$251,017,867	\$11,600,000	\$11,600,000	\$11,600,000	\$11,600,000	\$297,417,867
Federal Funds	(\$10,000,000)	\$0	\$0	\$0	\$0	(\$10,000,000)
Local Funds	<u>(\$20,000,000)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	(\$20,000,000)
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

The proposed bill provides for the transfer of various funds and governmental resources into the LA Medical Assistance Trust Fund (MATF), the Overcollections Fund, and the Budget Stabilization Fund (Rainy Day Fund). Of the \$214,054,952 transferred into the MATF, there is approximately \$202,954,952 budgeted in FY 13. All of the \$41,068,780 transferred into the Overcollections Fund is currently budgeted in LSU HCSD for FY 13 (in lieu of SGF). In addition, there is \$50.0 million from the sale of a prison, sale of a former state building site and anticipated FEMA receipts being transferred into the Rainy Day Fund. Once transferred, these resources will be subject to the constitutional and statutory restrictions associated with utilizing these funds.

REVENUE EXPLANATION

This bill proposes multiple fund transfers among various funds and governmental resources that equates to the net impact reflected in the revenue box above. The bill's specific impacts are discussed by various subjects below.

Title 22 Change - \$11.6 million (MATF): The bill provides for any premium taxes collected from Medicaid enrolled managed care organizations be deposited into the LA Medical Assistance Trust Fund (MATF). Currently, R.S. 22:842 imposes a tax on premiums written (collected) related to life, accident, and health (2.25% of premiums written). Any taxes assessed are collected by the Department of Insurance on behalf of the SGF. The current law does not exempt managed care entities. There is currently no revenue dedication to DHH in the insurance code (22:842) for Medicaid Managed Care. Based upon the current premiums paid by DHH to the medicaid managed care HMOs, a 2.25% tax would equate to approximately \$11.6 million in tax revenues. Absent this legislation, these tax receipts would flow into the SGF and not the MATF. This SGF dedication is reflected in subsequent fiscal years in the revenue box above. NOTE: FY 13 budget incorporates \$18.0 M from this Title 22 change and not \$11.6 M.

Go Zone Bond Repayments (Section 7 Act 41 of 2006 First Extraordinary Session) - \$116.5 million (MATF/Overcollections): The bill provides for the transfer of all loan payments received from political subdivisions into either the MATF or Overcollections Fund in the amount of \$116,454,358. Absent this legislation, the \$116.5 million of payments would otherwise flow into the SGF. Approximately \$110,385,578 is being transferred into the Louisiana Medical Assistance Trust Fund (MATF) and \$6,068,780 is being transferred into the Overcollections Fund. Act 41 of the 2006 First Extraordinary Legislative Session authorized the state to issue state general obligation bonds pursuant to the Gulf Opportunity Zone Act of 2005 (Go Zone), which provided debt relief to various political subdivisions. The provision of the congressional act provided for \$200 million in gulf tax credit bonds with a state match of \$200 million (General Obligation Bonds). There are 13 political subdivisions that owe the Division of Administration (DOA) a total of approximately \$408.0 million in principal and \$157.9 million in interest (\$575.4 million). Each of the 13 political subdivisions signed cooperative endeavor agreements (CEA) with the DOA, with the first interest payment being due January 2012. To date, the DOA has collected approximately \$82.1 million in payments which includes \$77.9 million from the New Orleans School Board (paid entire debt in full) and \$4.2 million interest payments. HB 1 includes current repayments received in the amount of \$82,059,282, anticipated remaining FY 12 payments of \$3,560,046 and anticipated FY 13 principal and interest payments of \$30,835,030, which equates to total collected and anticipated collections of \$116,454,358.

Various Fund Transfers - \$57.4 million (MATF): The bill provides for the transfer of \$57,419,374 from over 60 funds with fund transfers ranging from \$13 to \$20.0 million. The \$20.0 million transfer is from Risk Management's Self Insurance Fund. According to Risk Management (ORM), the \$20.0 million is anticipated excess insurance proceeds to be received in FY 13 from Katrina/Rita insurance claims. ORM has been in negotiations with these insurance carriers for the past 6 years for claims payments not yet received. ORM anticipates these carriers making a "good faith effort" and pay some of the proceeds in FY 13. Thus, the \$20.0 million has not yet been received. All of these funds are being transferred into the MATF. Of the \$57.4 million in fund transfers, \$7,315,975 of the transfers are effective upon the governor's signature (FY 12 impact) and \$50,103,399 of the transfers are effective July 1, 2012 (FY 13 impact). **Continued on page 2**

Senate	<u>Dual Referral Rules</u>	House	
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}	
<input checked="" 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}	H. Gordon Monk Legislative Fiscal Officer

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CONTINUED EXPLANATION from page one:

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Average Wholesale Price (AWP) Legal Settlement - \$15.25 million (MATF): This bill provides for \$15,250,000 of the total \$27,250,000 legal settlement proceeds (6 different cases settled) be transferred into the MATF. The specific settlements are from the following companies: Dey Pharma - \$3.0 million, Boehringer - \$3.25 million, Actavis, Inc. - \$4.0 million, Schering Plough - \$5.0 million. The other two settlements, GlaxoSmithKline - \$10.0 million & Purdue - \$2.0 million, were not completed in time before the release of the FY 13 Executive Budget. Absent this legislation, approximately \$3.6 million of the \$15.25 million settlement funds would have been deposited into the DOJ Legal Support Fund, approximately \$100,000 would have been deposited into the Medical Assistance Programs Fraud Detection Fund and \$11.55 million would have been classified as SGR within DHH's budget. The lawsuits accused these pharmaceutical firms of defrauding the Louisiana Medicaid program with dishonest pricing schemes. According to the Attorney General, proceeds from the 2 case settlements not included within this transfer will flow as follows: \$50,000 - Medical Assistance Programs Fraud Detection Fund, \$1.2 million - DOJ Legal Support Fund, \$10.75 million - SGR (DHH's budget).

Ernest Morial New Orleans Exhibition Hall Authority - \$20.0 million (MATF): This bill provides for the Ernest Morial New Orleans Exhibition Hall Authority to transfer \$20.0 million to the MATF, effective July 1, 2013. This authority is a political subdivision of the state created in 1978 by Act 305. According to the latest audit available (5/23/2011), as of December 2010, the authority had approximately \$106.2 million in cash assets and \$43.8 million in investments. However, according to the Ernest Morial New Orleans Exhibition Hall Authority, this fund balance is an accounting mechanism that does not reflect an unobligated amount. According to the authority, the current financial obligations in 2012 include: 1.) \$20 million property insurance deductible, 2.) \$18.6 million debt service payments in 2012, 3.) Portion of "The Great Hall Project," which is \$54 million internally financed, 4.) Annual capital improvement program of \$10 million. This transfer is effective July 1, 2012.

LA Housing Finance Agency (LHFA) - \$11.0 million (MATF): This bill provides the LHFA (or the newly created LA Housing Corporation) to transfer \$11.0 million to the MATF, effective July 1, 2012. Assuming a 4% interest rate, transferring these funds from the LHFA would result in lost interest earnings of approximately \$440,000.

Sale of New Orleans Adolescent Hospital (NOAH) - \$35.0 million (Overcollections): This bill provides for the proceeds from the sale of NOAH to be transferred into the Overcollections Fund. These proceeds are being utilized in the FY 13 budget of LSU HCSD by increasing the agency's statutory dedications and decreasing SGF in a like amount. Absent this legislation, the proceeds from this sale would be deposited into the SGF.

Budget Stabilization Fund (Rainy Day Fund) - \$50 million: This bill provides for 3 transfers into the Rainy Day Fund from the sale of 2 state buildings and FEMA reimbursements. Proposed legislation provides for the proceeds from the sale of the Avoyelles Correctional Facility of \$35.0 million be transferred into the Rainy Day Fund. Any excess proceeds from the sale will be deposited into MATF. Absent this legislation, these revenues would flow into the SGF. Proposed legislation also provides for the proceeds from the sale of the former Insurance Building site (including parking structure) of \$5.0 million be transferred into the Rainy Day Fund. Any excess proceeds from the sale will be deposited into the MATF. Absent this legislation, these revenues would flow into the SGF. In addition, the proposed bill provides for the transfer of \$10.0 million in FEMA reimbursements to the Rainy Day Fund. According to GOHSEP, the anticipated FEMA reimbursements are associated with direct administrative costs (force account labor) that FEMA previously did not allow the state to be reimbursed for Gustav and Ike project worksheets (PWs). Force account labor is the administrative services of the state professional staff working directly with the PW project. Because direct administrative cost of a PW typically involve state employees doing their normal day-to-day operations, which are currently funded in HB 1, these reimbursements may not be necessarily needed to reimburse the state agency for its expenditures. Thus, this bill seeks to transfer these receipts to the Rainy Day Fund in the amount of \$10.0 million. From this point forward, any PW completed by state agencies will now be able to have its direct administrative costs reimbursed by FEMA. However, this will require all state agencies to properly maintain current records and may require training from GOHSEP. To the extent state agencies do not properly track their direct PW time, the state will not receive any reimbursements for direct administrative costs from this point forward.

State General Fund Transfers - \$4.6 million: This bill provides for the transfer of \$3,722,315 from the Adult Probation & Parole Officer Retirement Fund to the SGF and the transfer of \$864,176 from the Academic Improvement Fund to the SGF, effective in FY 12. These transfers to the SGF will likely be utilized in the FY 12 supplemental appropriations bill.

Rapid Response Fund Language: Proposed legislation provides that the FY 12 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 requires the state treasurer to transfer a full \$10 million of SGF resources into this fund for FY 13. This \$10 million dedication has been accounted for in the latest adopted FY 13 revenue forecast (FY 13).

SUMMARY

Overall, this bill provides for the transfer of approximately \$214.1 million into MATF, approximately \$41.1 million into the Overcollections Fund, and \$50.0 million into the Rainy Day Fund. Below is summary of the various revenue sources being transferred into these funds by effective date (either upon signature of the governor or July 1, 2012).

LA Medical Assistance Trust Fund (MATF)

FY 12 transfers in bill

\$84,406,697 - Go Zone bond repayments (except from city of N.O)
 \$7,315,975 - various fund transfers ranging from \$13 to \$1,824,421
\$15,250,000 - legal settlement from 4 of 6 AWP cases
 \$106,972,672 - Total FY 12 Transfers

FY 13 Transfers in bill

\$50,103,399 - various fund transfers ranging from \$61 to \$20 million
 \$25,978,881 - Go Zone bond repayments (except from city of N.O.)
 \$20,000,000 - Ernest Morial New Orleans Exhibition Hall
\$11,000,000 - LA Housing Finance Agency
 \$107,082,280 - Total FY 13 Transfers
Total MATF Transfers = \$214,054,952

Overcollections Fund

FY 12 transfers in bill

\$1,212,631 - Go Zone bond repayments (N.O.)
\$35,000,000 - Sale of NOAH
 \$36,212,631 - Total FY 12 Transfers

FY 13 Transfers in bill

\$4,856,149 - Go Zone bond repayments (N.O.)
 \$4,856,149 - Total FY 13 Transfers

Total Overcollections Fund Transfers = \$41,068,780

Budget Stabilization Fund

FY 13 transfers in bill

\$35,000,000 - proceeds from the sale of Avoyelles Correctional Facility
 \$5,000,000 - proceeds from the sale of the former Department of Insurance Building site
\$10,000,000 - FEMA reimbursements
\$50,000,000 - Total transfers
Total Budget Stabilization Fund Transfers = \$50,000,000

Senate

Dual Referral Rules

House

<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}	<input type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}
<input checked="" 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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