



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 822** HLS 12RS 1277
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: May 9, 2012	2:21 PM	Author: FANNIN
Dept./Agy.:		
Subject: Fund Transfers		Analyst: Travis McIlwain

FUNDS/FUNDING

EG +\$122,516,189 GF RV See Note

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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 the State General 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. Proposed legislation provides for the transfer of approximately \$204.9 million in FY 12 and approximately \$128.4 million in FY 13.

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>	<u>\$0</u>
Annual Total		\$0	\$0	\$0	\$0	\$0

REVENUES	2012-13	2013-14	2014-15	2015-16	2016-17	5 -YEAR TOTAL
State Gen. Fd.	\$122,516,189	(\$18,000,000)	(\$18,000,000)	(\$18,000,000)	(\$18,000,000)	\$50,516,189
Agy. Self-Gen.	(\$54,231,168)	\$0	\$0	\$0	\$0	(\$54,231,168)
Ded./Other	\$46,121,676	\$18,000,000	\$18,000,000	\$18,000,000	\$18,000,000	\$118,121,676
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>	<u>(\$20,000,000)</u>
Annual Total	\$84,406,697	\$0	\$0	\$0	\$0	\$84,406,697

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 State General Fund. These transferred resources will likely be appropriated in FY 12 via the FY 12 supplemental appropriations bill (HB 1059) or in HB 1 in FY 13. All of the \$35 million transferred into the Overcollections Fund is currently budgeted in LSU HCSD for FY 13 (in lieu of SGF). NOTE: Although the bill provides for some sections effective in FY 12 & FY 13, for illustrative purposes, the tables above reflect all fund transfers in FY 13.

REVENUE EXPLANATION

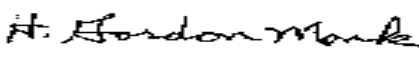
This bill proposes multiple fund transfers among various funds and governmental resources that equates to the net impact reflected in the revenue box above. The bill’s specific impacts are discussed by various subjects below.

Title 22 Change - \$18 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 \$18.0 million in tax revenue collections in FY 13. According to DOI, these taxes are historically collected on a quarterly basis a year after incurred. Absent this legislation, these tax receipts would flow into the SGF and not the MATF.

Go Zone Bond Repayments (Section 7 Act 41 of 2006 First Extraordinary Session) - \$110.4 million (SGF/LA MATF): The bill provides for the transfer of all loan repayments received from political subdivisions into either the SGF or the LA Medical Assistance Trust Fund (MATF) in the amount of \$110,385,578. Absent this legislation, the \$110.4 million of payments would otherwise flow into the SGF. \$84,406,697 is being transferred into the SGF and \$25,978,881 is being transferred into the MATF. 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 and the last payments being in the year 2027. To date, the DOA has collected approximately \$82.1 million in payments, which includes \$79.7 million from the New Orleans School Board (paid entire debt in full) and the remaining in interest payments. Effective in FY 12.

Various Fund Transfers - \$27.0 million (SGF): The bill provides for the transfer of \$27,043,029 from over 35 funds with fund transfers ranging from \$13 to \$10.0 million. All of these funds are being transferred into the SGF effective in FY 12. These resources, which are now SGF, will likely be swapped for FY 12 MATF resources, which will result in “freed-up” MATF resources being utilized in the FY 13 budget.

Average Wholesale Price (AWP) Legal Settlement - \$27.25 million (SGF): This bill provides for \$27,250,000 legal settlement proceeds (6 different cases settled) to be transferred into the SGF. 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, GlaxoSmithKline - \$10.0 million, and Purdue - \$2.0 million. Absent this legislation, approximately \$4.8 million of the \$27.25 million of settlement funds would have been deposited into the DOJ Legal Support Fund, approximately \$150,000 would have been deposited into the Medical Assistance Programs Fraud Detection Fund, and \$22.3 million would have been **(continued on page 2)**

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}	
☒ 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}	H. Gordon Monk Legislative Fiscal Officer



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CONTINUED EXPLANATION from page one: Page 2 of 2

classified as SGR within DHH’s budget. The lawsuits accused these pharmaceutical firms of defrauding the Louisiana Medicaid program with dishonest pricing schemes. All of these fund transfers are effective upon the governor’s signature (FY 12 impact). These resources will likely be swapped for FY 12 MATF resources, which will result in “freed-up” MATF resources being utilized in the FY 13 budget.

Department of Revenue - \$3.8 million Fees & Self-generated Revenues (SGF): This bill provides for the transfer of \$3,831,168 of excess SGR collections within the Department of Revenue to be transferred into the SGF. These resources will likely be swapped for FY 12 MATF resources, which will be result in these “freed-up” MATF resources being utilized in the FY 13 budget. Effective in FY 12.

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 LA Medical Assistance Trust Fund (MATF). 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. Included within the current version of HB 2 (Capital Outlay Bill) is a capital outlay appropriation in the amount of \$20 million. For FY 13, the state will essentially be utilizing the cash of the political subdivision in exchange for general obligation bond debt issuance in the capital outlay bill. Effective in FY 12.

Various Fund Transfers - \$15.6 million (MATF): This bill provides for the transfer of \$15,558,118 from 10 various funds ranging from approximately \$21,000 to approximately \$4.0 million into the LA Medical Assistance Trust Fund (MATF). Effective in FY 12.

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 have been deposited into the SGF. In addition, this bill provides for excess receipts of the sale over \$35 million to be deposited into the SGF. The DOA anticipates the sale of this hospital to generate approximately \$45 million. The excess \$10 million is included in the FY 13 budget. Effective July 1, 2012.

Community Development Block Grant (Program Income) - \$13.1 million (SGF): This bill provides for program income of the CDBG Program in the amount of \$13.1 million to be transferred to the SGF. According to the Division of Administration (DOA), these funds were generated from Louisiana Land Trust property sales. The Louisiana Land Trust is a nonprofit organization formed to manage the properties that have been purchased by the state under the Road Home Program as part of the recovery effort from hurricanes Katrina and Rita in 2005. Effective July 1, 2012.

Louisiana Tourism Promotion District - \$4.0 million (SGF): This bill provides for the transfer of \$4.0 million from the Louisiana Tourism Promotion District to the SGF. Act 1038 of 1990 created the LA Tourism Promotion District (LTPD) which receives three one hundredths of 1 cent of the sales and use tax for the purpose of assisting the state for out-of-state advertising and promoting tourism in LA. According to the latest adopted revenue forecast, the promotion district is anticipated to collect approximately \$23.3 million in FY 13. Effective July 1, 2012.

FEMA Reimbursements - \$10 million (SGF): The proposed bill provides for the transfer of \$10.0 million in FEMA reimbursements to the SGF. 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 involves state employees doing their normal day-to-day operations which are currently funded in HB 1, these reimbursements may not be necessary to reimburse the state agency for its costs. Thus, this bill seeks to transfer these receipts to the SGF in the amount of \$10.0 million. From this point forward, any PW completed by state agencies will now 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. Effective July 1, 2012.

Self-Insurance Fund - \$20 million (SGF): The \$20.0 million transfer is from Risk Management’s Self Insurance Fund to the SGF. 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” to pay some of the proceeds in FY 13. Thus, the \$20.0 million has yet to be received.

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

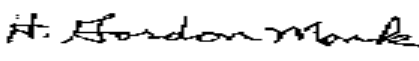
Coastal Protection & Restoration Fund - \$12.6 million (SGF): This bill provides for the transfer of \$12,637,698 of non-recurring SGF from previous capital outlay projects originally appropriated in various Acts from 1999 to 2010 Regular Legislative Sessions into the Coastal Protection & Restoration Fund. The bill then provides for the transfer of \$12,637,698 from the Coastal Protection & Restoration Fund into the SGF. There are approximately 30 various capital outlay projects with unexpended resources ranging from \$2,361 to \$5.42 million. Effective July 1, 2012.

Academic Improvement Fund - \$0.9 million (SGF): This bill provides for 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 \$224.1 million of resources into the SGF, the transfer of \$61.5 million into the LA Medical Assistance Trust Fund (MATF) and the transfer of \$35 million into the Overcollections Fund.

SGF \$84,406,697 - Go Zone bond repayments (FY 12) \$27,043,029 - Various Fund Transfers (FY 12) \$27,250,000 - Legal settlements (FY 12) \$3,831,168 - SGR (Dept. of Revenue) (FY 12) \$13,100,000 - CDBG Program Income (FY 13) \$4,000,000 - LA Tourism Promotion District (FY 13) \$10,000,000 - FEMA reimbursements (FY 13) \$20,000,000 - Self Insurance Fund (ORM) (FY 13) \$11,000,000 - LA Housing Finance Agency (FY 13) \$12,637,698 - Coastal Protection & Restoration Fund (FY 13) \$864,176 - Academic Improvement Fund (FY 12) <u>\$10,000,000 - DOA anticipated excess receipt from NOAH Sale (FY 13)</u> \$224,132,768 - Total Transfers into SGF (\$143.4 million - FY 12; \$80.7 million - FY 13)	LA Medical Assistance Trust Fund (MATF) \$20,000,000 - Ernest Morial New Orleans Exhibition Hall (FY 12) \$25,978,881 - Go Zone bond repayments (FY 12) <u>\$15,558,118 - Various Fund Transfers (FY 12)</u> \$61,536,999 - Total Transfers into MATF Overcollections Fund <u>\$35,000,000 - Sale of NOAH (FY 13)</u> \$35,000,000 - Total Transfers into Overcollections Fund
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☐ 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		☐ 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}	
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