



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 741** HLS 12RS 1052

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 12, 2012 2:32 PM	Author: BROADWATER
Dept./Agy.: Division of Administration	
Subject: Accounts Receivable	Analyst: Travis McIlwain

STATE AGENCIES

OR SEE FISC NOTE GF RV

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Provides with respect to collection policy and procedure used by all state agencies

Proposed legislation allows for the sale and securitization of long-term delinquent accounts receivable by the Cash Management Review Board through the commissioner of administration. At least 25% of the face value of such receivables are to be proposed for sale each year, and a report of the sale or justification why such sale or securitization did not occur is to be presented to the Joint Legislative Committee on the Budget. Debts owed the state due to medical treatment rendered at state-owned hospitals are excluded, as are any other debts deemed uncollectible by the commissioner. Proposed law expires December 31, 2014.

EXPENDITURES	2012-13	2013-14	2014-15	2015-16	2016-17	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	\$0	\$0	\$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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total				\$0	\$0	\$0

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

EXPENDITURE EXPLANATION

The proposed legislation will likely result in an indeterminable increase in SGF expenditure within the Division of Administration (DOA) due to the potential need of a professional service contract and an additional position to prepare and analyze the receivables to be sold or securitized. The DOA anticipates the additional position to cost approximately \$77,000 for personal services expenditures. The professional service contract expenditures may be required during the RFP process, which will occur when the receivables are put for sale and securtization. The DOA anticipates this contractor to assess the value of the receivables and the potential collectability of a sale or securitization of those receivables.

A permanent position in the DOA may not be necessary during the "pilot" period of this bill, although an on-going program of this nature may warrant an on-going commitment of resources to effectively administer the program. The expertise of an uoutside contractor will likely be necessary during the "pilot" period and possibly on an on-going basis, as well.

REVENUE EXPLANATION

The proposed legislation may result in a lump sum receipts in calendar year 2013 (FY 13, FY 14) and 2014 (FY 14, FY 15). This bill provides for the DOA to submit to the Cash Management Review a plan to sale/securitize up to 25% of the aggregate face dollar amount of accounts existing on the first day of the calendar year. The amount of the lump sum receipt the state would receive in return for its receivables is indeterminable and ultimately dependent upon the nature of the receivables themselves. Obviously, the stronger the receivables (the more recent and likely to be collected) the higher their value and sales price; the weaker the receivables the lower their value and sales price.

According the DOA, as of 9/30/2011 the state's current receivables (less than 180 days) were \$579.7 million and \$736.3 million (over 180 days) for a total of \$1.3 billion. The bill refers to "long-term delinquent" receivables and explicitly excludes those due to medical treatment in state-owned hospitals. In addition, the commissioner is authorized to exclude any debt deemed uncollectible. Presumably, some amount less than the \$736.3 million pool would be eligible for this bill, and then 25% of that reduced pool. The value of a potential eligible pool of receivables would be speculative until actually bid upon by prospective buyers. The disposition of any such receipts would be allocated to the state general fund, agency self-generated receipts, statutory dedications and non-state entities, and the federal government.

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 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}	Gregory V. Albrecht Chief Economist