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TO: The Honorable Charles E. Kleckley, Speaker of the House of Representatives
Honorable Members of the House of Representatives

FROM: John D. Carpenter, Legislative Fiscal Officer *JDC*
Evan J. Brasseaux, LFO Staff Director *SOB*

DATE: May 9, 2013

SUBJECT: House Rule 7.19, HB 1 Engrossed (General Appropriation Bill)

Pursuant to House Rule 7.19, the Legislative Fiscal Office is required to submit a report to the House of Representatives, which indicates whether the General Appropriation Bill appropriates one-time money. The LFO has determined one-time money as defined by HR 7.19 to be approximately \$391 million in HB 1 Engrossed for FY 14. All of these resources, with the exception of \$120.3 million in TOPS and \$16.4 million transferred into the Medical Assistance Trust Fund, are being transferred into the Overcollections Fund for FY 14 expenditure.

Due to adopted HAC amendments to HB 452 (Funds Bill), there is Overcollections Fund budget authority in HB 1 Engrossed with no revenue flow into the fund. HB 1 Engrossed currently appropriates \$657,673,784 from the Overcollections Fund, while HB 452 only provides funding flow of \$367,508,441. If Act 597 Overcollections Fund resources, which equates to \$24.8 million, are included, the Overcollections Fund in HB 1 Engrossed is currently over appropriated by approximately \$265.4 million. See Table Below.

\$489,640,279	HB 1 Original (Higher Education)
\$30,000,000	HAC adopted MOF swap for SGF (Higher Education)
\$138,033,505	HAC adopted MOF swap for SGF (Executive)
\$657,673,784	HB 1 Engrossed Overcollections Fund
\$367,508,441	HB 452 resource transfers
\$24,800,000	Act 597 of 2012 RLS Overcollections Fund Resources
\$392,308,441	Total Overcollections Fund resources available for FY 14 expenditure
(\$265,365,343)	Total amount of the Overcollections Fund excess authority built in FY 14

To the extent this excess authority is not filled with an identified funding source, the FY 14 Higher Education budget, Governor's Office budget, Division of Administration, LED and Other Requirements will likely share in a \$265.4 M cut.

Note: Significant items removed/reduced from HB 452 - Original, which have contributed to the imbalance discussed above include: \$100 M - Ernest Morial Convention Center, \$28.1 M - Riverboat Gaming Enforcement Fund. Overall, HB 452 - Engrossed has approximately \$127.3 M less in resource transfers than HB 452 - Original (HB 452 Original - \$494,840,279 total resource transfers, HB 452 Engrossed - \$367,508,441 total resource transfers).

Below is a description of the major one-time funding resources:

- \$57,949,037 - HB 452 provides for fund transfers in the total amount of \$74.4 million from different statutory dedicated funds in amounts ranging from \$76 to \$20.6 million. Although HB 452 provides for fund sweeps in the total amount of approximately \$74.4 million, the LFO only includes \$57.9 million on this list. The HR 7.19 Defined one-time money list excludes \$16,499,005 of funds sweeps for this list due to the definition of one-time money included in HR 7.19. Pursuant to HR 7.19 (A)(1), specific funds currently forecast by the REC were excluded from

the HR 7.19 one-time money list. However, these funds sweeps will likely have to be replaced with SGF or another revenue source in subsequent fiscal years.

NOTE: \$2.7 M of the total funds sweeps appropriated in HB 1 are contingent upon capital outlay projects rescinded in HB 2 Engrossed. HB 2 Engrossed rescinds \$2.7 M of Penalty & Interest Account (Workforce Commission) funded projects and replaces with Priority 2 GO bond debt contingent upon State Bond Commission approval. HB 452 Engrossed includes a fund sweep in the amount of \$5.7 M from the Penalty & Interest Account of which \$2.7 M of these resources is cash from these rescinded projects.

- \$1,181,147 – HB 452 provides for the transfer of \$1,181,147 of non-recurring SGF from a previous capital outlay project originally appropriated in 2008 (Act 7 of the 2008 Second Extraordinary Session) to the Coastal Protection & Restoration Fund with REC designated non-recurring SGF. The bill then provides for the transfer of \$1,181,147 from the Coastal Protection & Restoration Fund to the Overcollections Fund. The capital outlay project impacted is for the Port of Terrebonne.
- \$40,440,000 – HB 452 provides for the sale receipts of 4 various state properties to be transferred into the Overcollections Fund. The state properties to be sold and amounts included within the bill are as follows: \$12 million - Pointe Clair Farms, \$10.25 million - Baton Rouge State Office Building, \$17.84 million - Southeast Hospital property, \$350,000 - Wooddale Towers. These anticipated sale revenues have been built into the FY 14 budget. Revenues generated from these sales would have otherwise likely flowed into the SGF, except for \$17.84 million (Southeast Hospital Property), which would have flowed into the DHH Facility Support Fund.
- \$10,000,000 – Debt Collections (Accounts Receivables) – After creation of a centralized collection unit within the Department of Revenue, this amount represents the anticipated collections of SGF accounts receivables in excess of that which is typically collected by impacted agencies, as estimated by the DOA and proposed in HB 629. However, this bill directs this money to be taken from the LDR SGR. At this time, there is no appropriation in place for administrative expenses related to the program in FY 14.
- \$13,132,881– This amount represents excess SGR from the Charitable Gaming Program (\$4.9 million), the Tax Collection Program (\$5.9 million) and the Alcohol, Tobacco and Firearm (\$2.4 million). All of these programs are within the Department of Revenue.
- \$6,000,000 – This amount represents anticipated SGF collections as estimated by the DOA as a result of implementation of a vendor payment offset program in which federal vendor payments can be redirected to reimburse state debts and state vendor payments can be redirected to reduce federal debts. The program has not yet been implemented and is not expected to require additional legislation. However, this bill directs this money to be taken from LDR's SGR. At this time, there is no appropriation in place for administrative expenses related to the program in FY 14.
- \$30,000,000 – HB 452 provides for SGF collections in excess of \$3 million for the implementation of additional fraud initiatives within the Department of Revenue be transferred into the Overcollections Fund. According to the DOA, approximately \$3 million of fraud revenues are currently built into the adopted revenue forecast. The DOA & LDR anticipate collecting an additional \$30 million of state resources for expenditure from new fraud initiatives. Presumably, these funds are to be generated due to the implementation of 3 efforts initiated within the LDR to combat fraud, 2 of which involve electronic verifications against existing public records and certain other corroborating data. The third effort provides 2 additional criminal investigators to the Attorney General (AG) to assist with fraud detection and enforcement efforts. From discussions with LDR, it appears that a material portion of this revenue is related to an anticipated increase in income tax collections. This bill provides for the state treasury to transfer fraud initiative receipts over \$3 million into the Overcollections Fund, essentially transferring anticipated excess SGF receipts before these receipts become SGF surplus.
- \$10,000,000 – HB 452 provides for the transfer of excess collections from IAT and SGR of at least \$10 million into the Overcollections Fund. Unless noted in the

appropriations bill, annual overcollections of SGR and/or IAT revenues revert to the SGF at the end of the fiscal year and are reported as part of the CAFR balance. This bill appears to recoup these excess resources before they become part of the CAFR balance at the end of the state's fiscal year. For illustrative purposes, last year the State Treasurer received approximately \$41 million of SGF reversions from SGR and IAT overcollections from various agencies (\$32.6 million - SGR, \$8.4 million - IAT). Since more than half of these excess collections are received from the Department of Insurance (\$15.4 million in FY 12) and the Office of Financial Institutions (\$11.4 million in FY 12), the adopted revenue forecast is already projecting the SGF to receive \$22 million in FY 14. Thus, this bill directs the state treasurer to transfer the remaining projected excess resources to the Overcollections Fund before these resources are captured as SGF surplus and limited to the 6 constitutional eligible uses of surplus funds.

- \$2,000,000 – HB 452 provides for the LHFA (or newly created LA Housing Corporation) to transfer \$2 million to the Overcollections Fund. The FY 13 budget includes \$11 million from LHFA resources.
- \$16,000,000 – HB 452 provides for the transfer of \$16 million from the Office of Risk Management's Self Insurance Fund to the Overcollections Fund.
- \$37,771,871 – HB 452 provides for legal settlement proceeds from pharmaceutical companies to be transferred into the Overcollections Fund. Absent this legislation, a portion of these settlement proceeds would have likely been deposited into the DOJ Legal Support Fund and the Medical Assistance Programs Fraud Detection Fund.
- \$5,000,000 – HB 452 provides for the transfer of \$5 million of resources from the LPAA to be transferred into the Overcollections Fund. The LPAA is an ancillary agency that manages the state's moveable property and ensures that all state agencies comply with the State Property Control & Fleet Management Regulations. LPAA's main source of revenues is surplus auction sales of used state equipment and vehicles. In FY 12, the agency generated \$5.4 million of SGR from sales of assets. Revenues generated from the auction of state property accrues to either the selling agency or the LPAA, depending upon the original funding source used for the purchase of such property. If the property was purchased with federal grant funds, SGR or Statutory Dedications, the LPAA typically receives 20% of the proceeds, while the selling agency receives 80%. If the property was purchased with SGF, the LPAA receives the full amount generated from the auction. Because the LPAA is an ancillary agency, the agency keeps all unexpended funds from year-to-year. Based upon the FY 14 budget request, LPAA has approximately \$7.3 million of prior year cash carryover. This bill seeks to transfer \$5 million of this carryover amount into the Overcollections Fund.
- \$41,234,518 – HB 1 Engrossed budgets resources previously authorized by Act 597 of the 2012 RLS. Those resources include: \$4,800,000 from the sale of the former Department of Insurance (DOI) building site, \$20,000,000 from FEMA reimbursements and \$16,434,518 to be transferred into the Medical Assistance Trust Fund from the Orleans Parish Law Enforcement District paying its entire Go Zone Bond debt payments in full in FY 13.
- \$120,300,000 – HB 1 Engrossed budgets anticipated resources from the Tobacco Settlement Arbitration (\$60.3 M) and the Tobacco Settlement Refinance (\$60 M).

Please see attached list for a detail listing of all HR 7.19 defined one-time money resources included within HB 1 Engrossed.

HR 7.19	
<u>Defined</u>	
<u>One-time</u>	
Various Funds Sweeps (transferred into Overcollections Fund) (Footnote 1)	\$2,000,000
Adult Probation & Parole Officer Retirement Fund	\$20,600,000
Artificial Reef Development Fund	\$22,227
Community & Family Support System Fund	\$212,838
DOJ Debt Collection Fund	\$6,905,727
Employment Security Administration Account	\$471,564
Energy Performance Contract Fund	\$152,951
Entertainment Promotion & Marketing Fund	\$2,487,146
Environmental Trust Fund	\$847,641
Health Care Facility Fund	\$267
Higher Education Initiatives Fund	\$225,638
LA Filmmakers Grant Fund	\$144,435
LA Life Safety & Property Protection Trust Fund	\$76
LA State Board of Private Investigator Examiners Fund	\$106,920
Medical & Allied Health Professional Education Scholarship & Loan Fund	\$2,435,746
Medical Assistance Fraud Program Detection Fund	\$11,300,000
Mega-Project Development Fund	\$215,560
Motor Carrier Registration Fund	\$5,700,000
Penalty & Interest Account	\$175,500
Right to Know Fund	\$1,900,000
Small Business Surety Bonding Fund	\$48,978
Tax Commission Expense Fund	\$81,113
Telephone Solicitation Fund	\$1,891,951
Traumatic Head & Spinal Cord Injury Trust Fund	\$111
UNO Slidell Technology Park Fund	\$18,405
Variable Earnings Transaction Fund	\$4,243
Vital Records Conversion Fund	
Sub-Total Fund Sweeps	\$57,949,037

Coastal Protection & Restoration Fund (via Capital Outlay) (transferred to Overcollections Fund)	\$1,181,147
Various Property Sales (transferred into Overcollections Fund):	
Sale of Pointe Clair Farms, Carville	\$12,000,000
Sale of BR State Office Building	\$10,250,000
Sale of SE LA Hospital property DHH	\$17,840,000
Sale of Wooddale Tower	\$350,000
Sub-Total Proposed Property Sales	\$40,440,000

Debt Collection, Receivables (transferred into Overcollections Fund) (Footnote 2)	\$10,000,000
Department of Revenue - Excess Self Generated Revenues (transferred into Overcollections Fund)	\$13,132,881
Department of Revenue - Vendor/Federal Offset (transferred into Overcollections Fund) (Footnote 2)	\$6,000,000
Department of Revenue - Fraud Initiative (transferred into Overcollections Fund) (Footnote 2)	\$30,000,000
Excess SGR & IAT collected as income not available (transferred into Overcollections Fund)	\$10,000,000
LA Housing Corporation (transferred into Overcollections Fund)	\$2,000,000
LA Self Insurance Fund (transferred into Overcollections Fund)	\$16,000,000
Pharmaceutical legal settlements (transferred into Overcollections Fund)	\$37,771,871
LPAA Excess Collections (transferred into Overcollections Fund)	\$5,000,000
Act 597 of 2012 RLS Authorized Transfers:	
Sale of former Department of Insurance Building Site (transferred into Overcollections Fund)	\$4,800,000
Excess FEMA Reimbursements (transferred into Overcollections Fund)	\$20,000,000
Go Zone Bond Repayment (Orleans Law Enforcement Division Pay off) (transferred to MATF)	\$16,434,518
	\$41,234,518

Tobacco Settlement Refinance (TOPS Program)	\$60,000,000
Tobacco Settlement Arbitration (TOPS Program)	\$60,300,000

Total	\$391,009,454
House Rule 7.19 Threshold (per latest adopted revenue forecast - 12/13/2012)	\$199,500,000
Amount (Under)/Over Threshold	\$191,509,454

Footnotes:

- (1.) Pursuant to House Rule 7.19 (A)(1.), specific funds currently forecast by the REC were excluded from the HR 7.19 one-time money list.
- (2.) At this time, the LFO is unable to determine if such resources will be available on a recurring basis. Thus, these resources have been deemed as one-time.