STATE OF LOUISIANA
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BATON ROUGE

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TO: The Honorable Taylor F. Barras, 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

DATE: February 20, 2017

SUBJECT: House Rule 7.19, HB 3 Reengrossed with Senate Amendments, FY 17 Financing Replacement

Pursuant to House Rule 7.19, the Legislative Fiscal Office (LFO) is required to submit a report to the House of Representatives, which indicates whether the appropriation bill appropriates one-time money within the Reengrossed version of House Bill 3 (HB 3) with Senate Amendments. The LFO is providing this information for HB 3 – Reengrossed with Senate Amendments and a discussion of the FY 18 financing decisions that will have to be made as a result of the current structure of the proposed supplemental appropriations in FY 17 to address the mid-year deficit recognized by the Joint Legislative Committee on the Budget at its January 27, 2017, meeting.

If you have any questions about any of the information presented in this memo, please contact me by email at carpenterj@legis.la.gov or by phone at 225-342-7233.

HR 7.19 One-Time Money List
Pursuant to HR 7.19(C)(2), appropriations from one-time money for ordinary recurring expenses may not exceed the projected growth of the state general fund from the fiscal year for which the appropriation is proposed and the subsequent fiscal year according to the most recent official forecast. The threshold calculation is the difference between the official state general fund (SGF) revenue forecast adopted by the Revenue Estimating Conference on January 13, 2017, for FY 17 of $9,284.1 M and for FY 18 of $9,469.6 M, which equates to $185.5 M of SGF revenue growth. Therefore, the amount of one-time funds as defined by HR 7.19 allowed to be appropriated in HB 3 for FY 17 expenditure is approximately $185.5 M. **There is no ($0) one-time money as defined in House Rule 7.19 in HB 3 Reengrossed with Senate Amendments.**

FY 18 Replacement Financing Decision List
Although HR 7.19 contains a definition of "one-time money," the rule itself is not indicative of the financing decisions that will have to be made in FY 18 relative to the current structure of the FY 17 operating budget as adjusted by the supplemental appropriations bill, HB 3. Due to this issue, the LFO is not only providing the HR 7.19 list to comply with the House Rule, we are also providing you with a detail of significant potential FY 18 financing replacements that will have to made as a result of the proposed supplemental appropriation to address the FY 17 mid-year deficit. The LFO has identified $27.8 M in Fees & Self-generated Revenues (SGR) utilized as a supplemental appropriation that will likely require replacement in FY 18, in addition to any other continuation or other budget requirements that may be identified in the governor's executive budget to be presented on February 24, 2017, or those that may be identified by the legislature during the upcoming 2017 Regular Session.

Agency – Medical Vendor Payments

$12.5 M – HB 3 plans to execute a means of finance (MOF) swap replacing a like amount of SGF with SGR (backfill) as a partial solution to the 2nd mid year deficit. The plan includes increasing from a rate of 15% to 22.5% the SGR (Intergovernmental Transfer (IGT)) retained by the Louisiana Department of Health (LDH) from local governmental entities. LDH collects and retains a percentage of all IGT's sent from local governmental entities to use as a match source to fund the overall Medicaid Program. LDH proposes to retain a greater percentage (22.5%), or an additional $12.5M, for FY 17. The additional 7.5% retainage of IGT by LDH will be required again in FY 18 or additional SGF or other state match funds will be required to offset these monies.

$15.3 M – HB 3 plans to execute an MOF swap replacing a like amount of SGF with SGR (backfill) as a partial solution to the 2nd mid year deficit. Approximately $9 M in revenue will be received from the LSU Medical School in the form of an Intergovernmental Transfer (IGT) to LDH, which will be used to draw down an additional $15.4 M in federal funds. The $15.4 M in federal funds will ultimately be retained in the Medicaid budget to replace a like amount of SGF. These payments in FY 18 will require a similar state match financing mechanism or will require appropriation of additional SGF or other state funds to be used as match.

While not appropriated in HB 3, the bill contemplates the usage of $117.6 M additional one-time sources of monies to balance the FY 17 mid-year deficit as recognized by the JLCB at its January 27, 2017, meeting. The availability of these monies is contingent upon authorization of use of the Budget Stabilization Fund and/or recognition by the Revenue Estimating Conference (REC). Discussion of one-time and replacement monies needed for FY 18 must recognize that the plan proposed in HB 3 contemplates the usage of these one-time sources to address the FY 17 SGF deficit as listed below:

$95.9 M – Use of 80.2% of the allowable 1/3 draw down of the available balance in the Budget Stabilization Fund. Senate Concurrent Resolution 2 currently contemplates the usage of $99.0 M.

$17.7 M – Use of additional revenues related to Go Zone bond repayments. The current REC forecast for Go Zone bond repayments in FY 17 totals $26.6 M. To date, the state has received total payments of $32.3 M, a surplus above the anticipated revenues of $5.7 M. FY 17 payments to date include $5.5 M of prior year balances due that were not anticipated in the current revenue forecast ($4.8 M from City of New Orleans and $0.7 M from the New Orleans Regional Transit Authority), as well as $4.8 M of advance payments from the New Orleans Aviation Board.

Additionally, the LFO has confirmed with the Orleans Levee District that it adopted a resolution on February 16, 2017, to amend its Go Zone bond repayment schedule. Upon acceptance of an amended Cooperative Endeavor Agreement with the Division of Administration, the District indicates it intends to send a payment of $12.7 M in FY 17, which will include $2.4 M in FY 17 outstanding obligations as well as $10.3 M of prior year obligations not paid to date.

The combination of revenues collected to date and anticipated revenues provide an anticipated repayment total during FY 17 that exceeds the REC forecast by $18.4 M.

NOTE: The LFO assumes utilization of the $4.8 M advance payment by the New Orleans Aviation Board will result in a reduction in the FY 18 REC forecast by an equal amount.

$2.0 M – Use of available fund balance from the Attorney General Escrow Fund account.

$2.0 M – Use of available fund balance from the Legislative Auditor Ancillary Enterprise Fund.