

# FY14 Fiscal Status and 2013/2014 Interim Activities Relative to the Budget



Senate Finance Committee

March 11, 2014

# Finance Outline

- \* Committee Subject Matter Jurisdiction
  - \* Bills assigned to Finance (Senate Rule 13.4(5))
  - \* Bills assigned in Appropriations
  - \* Dual Referral Rule:

“Senate Rule 13.5.1. Legislative instruments with significant fiscal cost; dual committee referral

Each legislative instrument with an estimated fiscal cost, as reflected in the fiscal note prepared in accordance with Joint Rule No. 4, of one hundred thousand dollars or more annually in any one of the three ensuing fiscal years or with a fiscal cost which, although unspecified in the fiscal note, is indicated in the fiscal note to likely exceed one hundred thousand dollars annually in any of the three ensuing fiscal years shall be referred to a standing committee under the provisions of Rule 13.4, and, if reported, shall be reported in accordance with the requirements of Rule 13.9. However, after such report, any such Senate instrument ordered engrossed, immediately following the engrossment order, and any such House instrument reported favorably or with amendments, immediately following the reading of such report and action on any amendments reported, shall be recommitted by the president to the Committee on Finance.”

- \* Schedule for Finance relative to budget hearings in March and April
  - \* Begin budget hearings immediately due to heavy workload and timing at the end of the session
  - \* Legislative Auditor’s participation to inform the committee on audit findings prior to the departments coming before the committee.

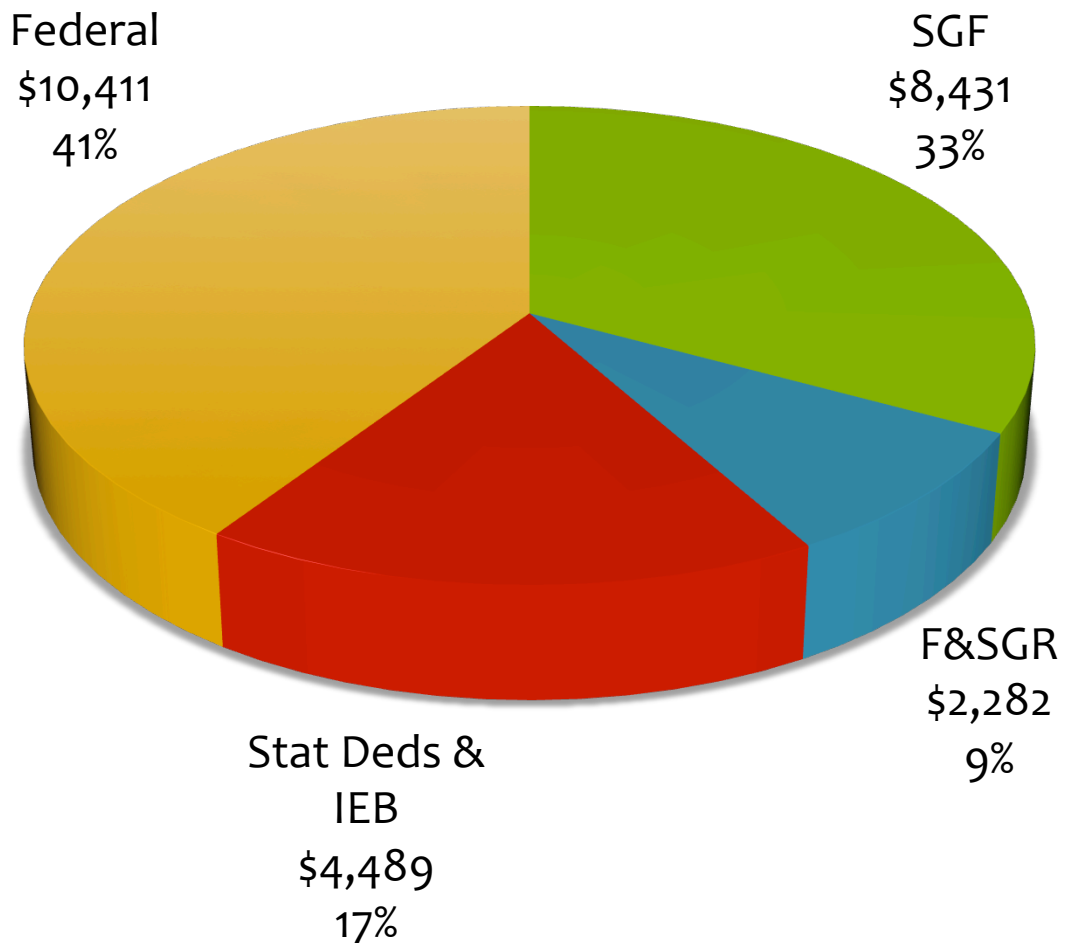
# FY 14 — The Current Year Budget

## Fiscal Update on Interim Activities:

- \* As appropriated, the state budget for FY14 was approximately \$25.4 billion, and included \$8.4 billion in state general fund; \$6.7 billion from fees and self-generated revenues and statutory dedications; and roughly \$10.4 billion from Federal sources.
- \* The FY14 Existing Operating Budget as of 12-1-13 was \$25.6 billion and reflects adjustments made by REC and JLCB.

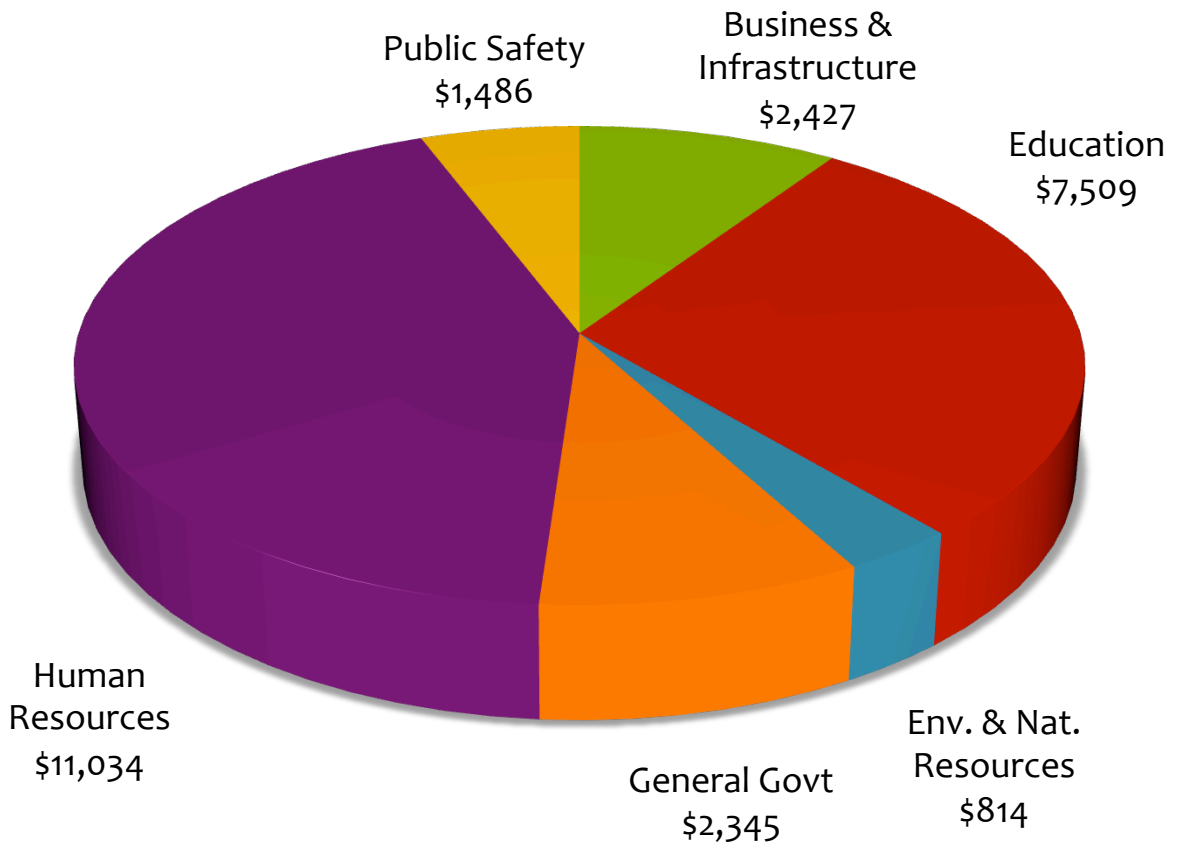
# FY 14 — The Current Year Budget

**FY14 EOB Total MOF \$25.6 B.**



# FY 14 — The Current Year Budget

**FY14 EOB Total Expenditures \$25.6 B.**



# Revenue Estimating Conference Forecast Adjustments

- \* Revenue Estimating Conference met in January.
- \* The REC reduced the current year FY14 forecast by \$34.7 million.
- \* REC also increased the FY15 forecast by \$78.4 million.

# Changes in the Budget Process

- \* Two acts of the 2013 Regular Session introduced additional requirements into the budget process:
  - \* Act 419 — Made changes regarding official forecasts of the REC and use of funds in the Executive Budget and appropriations bills; and placed limitations on anticipated fund balances.
  - \* Act 424 — Content changes for the executive budget; and new submission requirements for the GAB and the Ancillary bill.

# Act 419

- \* This act requires the Revenue Estimating Conference to estimate state general fund, statutory dedications, and fees and self-generated revenues.
- \* It stipulates that appropriations from any of these means of finance cannot exceed the official forecast.
- \* At the January meeting, the REC deliberated over new forecast sheets and the requirements of designating certain sources as recurring or non-recurring.
- \* Two major concerns were the 2013 Amnesty Collections Fund and the Overcollections Fund.



# 2013 Amnesty Collections Fund

- \* The amnesty program was established for 2013, 2014, and 2015.
- \* During the 2013 Regular Session, \$200 million was utilized in the Appropriations Bill, but was not forecast by REC.
- \* To date, collections for the current year total \$448 million, thereby exceeding estimates by \$248 million.
- \* The program is estimated to receive \$122 million for FY15.
- \* The REC declared the revenue as recurring since the amnesty program will last for three years.

# Recurring/Nonrecurring Revenue

R.S. 39:2(27) states:

"Nonrecurring revenue" means revenue received by the state from a source identified by the Revenue Estimating Conference as being of a nonrecurring nature. **"Nonrecurring revenue" does not include revenues received by the state from any source which has been available for the preceding two fiscal years or which will be available for the succeeding two fiscal years.**

# Where is Amnesty Funding in the Budget Proposals?

(In Millions)

Total Collections for FY14:	\$448
Appropriated to DHH last session:	<u>-\$200</u>
	\$248

Credits backed out for balancing:	<u>-\$22</u>
	\$226

Revenue will retain as F&SGR:	<u>-\$32</u>
	\$194

Rolled forward to FY15 Medicaid Budget:	<u>-\$162</u>
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Remaining amount used to offset the current-year shortfall of \$34 million recognized by REC in January:	\$32
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# Overcollections Fund

- \* The REC declared the Overcollections Fund in FY14 as recurring in the amount of \$214 million.
- \* The REC did not forecast the original amount of Overcollections funds utilized during the 2013 Regular Session in excess of \$400 million.
- \* The REC declared the Overcollections Fund revenue for FY15 as nonrecurring in the amount of \$132 million.

# Sources of Revenue for the Two Years of Overcollections

## FY14:

- \* \$31 million sweeps
- \* \$106 million pharmaceutical lawsuit settlements. 2013 funds bill
- \* \$9 million interest from settlement
- \* \$4 million DOA – excess self-generated revenues
- \* \$7 million DOA – sinking fund for major repairs and equipment purchases
- \* \$25 million DOA – OFC interest earned and savings from bond refunding
- \* \$20 million ORM insurance proceeds
- \* \$12 million reversions

**\$214 million subtotal FY14**

## FY15:

- \* \$50 million convention center
- \* \$32 million fraud initiatives. 2013 funds bill
- \* \$40 million LA Housing Corporation
- \* \$10 million debt recovery

**\$132 million subtotal FY15**

# Where are the FY14 Recurring Overcollections Monies Utilized?

(In Millions)

*Note: These are additional revenues recognized by REC above 2013 appropriations.*

FY14 Additional Overcollections:	\$214
Reserved for FY14 Current Year expenditure needs:	<u>-\$28</u>

Rolled forward to FY15 Overcollections Fund and used for Medicaid budget	\$186
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# Where are Nonrecurring FY15 Overcollections Funds Utilized?

(In Millions)

Total:	\$132
Utilized for Debt Defeasance Plan (see next page for explanation):	<del>-\$37</del>
	\$95
Deposit into Coastal Protection:	<del>-\$51</del>
	\$44
Deposit into Rainy Day:	<del>-\$25</del>
	\$19
Constitutional allocation for UAL:	<del>-\$6</del>
Remaining balance based on overestimated funds coming from the La. Housing Authority:	\$13

# Coastal Protection and Restoration Fund

Funds allocated to the Coastal Protection and Restoration Fund, in the amount of \$51 million in FY15 Nonrecurring Overcollections, will accompany a transfer of the like amount out of the fund.

There is no net loss for Coastal, but it does provide general fund revenues previously designated as recurring for the operating budget.

This funding is allocated for:

Board of Regents	\$39
Elderly Affairs	\$6.5
Dept. of Education	\$4
State libraries	\$1.4



# Constitutional Requirements for Nonrecurring Revenue

**Constitution Article VII, Section 10.(D)(2) states non-recurring revenue shall only be made for the following purposes:**

1. (a) Retiring or for the defeasance of bonds ...
2. (b)(i) Providing for payments against the unfunded accrued liability of the public retirement systems ...
3. (ii) For Fiscal Years 2013-2014 and 2014-2015 the legislature shall appropriate no less than five percent of any money designated in the official forecast as nonrecurring to the Louisiana State Employees' Retirement System and the Teachers' Retirement System of Louisiana for application to the balance of the unfunded accrued liability of such systems existing as of June 30, 1988, in proportion to the balance of such unfunded accrued liability of each such system. Any such payments to the public retirement systems shall not be used, directly or indirectly, to fund cost-of-living increases for such systems.
4. (iii) For Fiscal Year 2015-2016 and every fiscal year thereafter the legislature shall appropriate no less than ten percent of any money designated in the official forecast as nonrecurring to the Louisiana State Employees' Retirement System and the Teachers' Retirement System of Louisiana ... for UAL
5. (c) Providing funding for capital outlay projects in the comprehensive state capital budget ...
6. (d) Providing for allocation or appropriation for deposit into the Budget Stabilization Fund ...
7. (e) Providing for allocation or appropriation for deposit into the Coastal Protection and Restoration Fund ...
8. (f) Providing for new highway construction for which federal matching funds are available ...

# Use of Nonrecurring Revenue

## For FY15:

- \* \$14 million will be allocated to the UAL. This is a constitutional requirement.
- \* \$25 million will be allocated to the Budget Stabilization Fund. This is a proposal by the administration.

# FY13 Prior-Year Ending Balance

- \* The FY13 Year End Balance was certified to the JLCB in January at approximately \$162 million.
- \* It has not been recognized by the REC at this time.

## How is the Prior-Year Surplus Utilized?

Prior-Year Surplus	\$162
Capital Outlay	<u>+\$20</u>
	\$182
FY15 Overcollections (as indicated on previous page):	<u>+\$37</u>
	\$219
Debt Defeasance	<u>-\$210</u>
UAL allocation	\$8*

*\*rounded*

The debt defeasance makes an FY15 debt payment in FY14 and frees up state general fund revenues for other purposes.

# Act 424

## Discretionary/Non-Discretionary

- \* This act provides that the general appropriation bill show discretionary and non-discretionary portions of the budget when either Higher Education or Health and Hospitals are reduced from the prior year.
- \* The governor's proposed FY15 Executive Budget meets the trigger requirement; therefore, HB1 contains two sections of means of financing.

# Act 424 — HB1 Format

HLS 14RS-491

ORIGINAL  
HB NO. 1

1 **01-109 COASTAL PROTECTION & RESTORATION AUTHORITY**

2 **EXPENDITURES:**

3 **Implementation - Authorized Positions (160)**

4 **Authorized Other Charges Positions (7)**

5 **Nondiscretionary Expenditures**

\$ 146,747

6 **Discretionary Expenditures**

\$ 150,927,461

7 **Program Description:** *The Coastal Protection and Restoration Authority Board*  
8 *is comprised of agency heads from numerous state offices and regional*  
9 *representatives. It is designed to be the public venue to develop and approve*  
10 *coastal policies and budgets focused on hurricane protection and coastal*  
11 *restoration efforts. The board was established to achieve integrated coastal*  
12 *protection for Louisiana through the articulation of a clear statement of priorities,*  
13 *policies and funding. The Coastal Protection and Restoration Authority (CPRA) is*  
14 *working closely with other entities on coastal issues, including the state legislature,*  
15 *the Governor's Advisory Commission on Coastal Protection, Restoration and*  
16 *Conservation, and the Division of Administration's Disaster Recovery Unit within*  
17 *the Office of Community Development. Through the Implementation Program, the*  
18 *CPRA will develop, implement and enforce the coastal protection and restoration*  
19 *Master Plan, which will lead to a safe and sustainable coast that will protect*  
20 *communities, the nation's critical energy infrastructure, and Louisiana's natural*  
21 *resources.*

22 **Objective:** Through the Administration activity, to implement strategies, projects  
23 and activities, set forth in the Coastal Protection and Restoration Authority's  
24 Louisiana Comprehensive Master Plan for Sustainable Coast and Annual Plan as  
25 approved by the Louisiana Legislature.

26 **Performance Indicator:**

27 Acres directly benefited by projects constructed  
28 (actual for each fiscal year) 11,351

29 **Objective:** Through the Floor Protection activity, implement strategies, projects  
30 and activities, which are set forth in the Coastal Protection and Restoration  
31 Authority's Comprehensive Master Plan for a Sustainable Coast and the Annual  
32 Plan, as approved by the Louisiana Legislature.

33 **Performance Indicator:**

34 Miles of levee improved by projects being constructed 28

35 **TOTAL EXPENDITURES** \$ 151,074,208

36 **MEANS OF FINANCE (NONDISCRETIONARY):**

37 **State General Fund by:**

38 **Statutory Dedications:**

39 Coastal Protection and Restoration Fund \$ 146,747

40 **TOTAL MEANS OF FINANCING (NONDISCRETIONARY)** \$ 146,747

41 **MEANS OF FINANCE (DISCRETIONARY):**

42 **State General Fund by:**

43 Interagency Transfers \$ 6,400,538

44 Fees & Self-generated Revenues \$ 370,000

45 **Statutory Dedications:**

46 Coastal Protection and Restoration Fund \$ 83,391,685

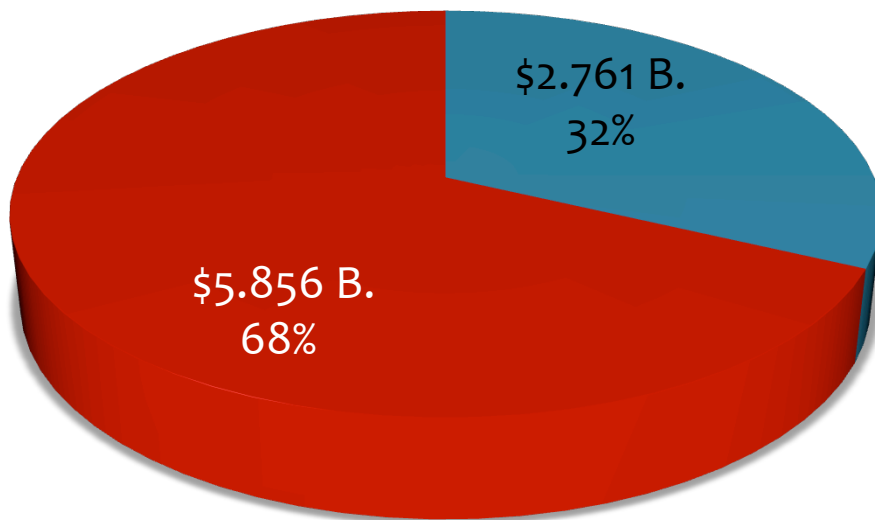
47 Oil Spill Contingency Fund \$ 500,000

48 Federal Funds \$ 60,265,238

49 **TOTAL MEANS OF FINANCING (DISCRETIONARY)** \$ 150,927,461

# Discretionary/Non-Discretionary Funding

**FY15 Total SGF  
\$8.617 Billion**



■ Discretionary    ■ Non-Discretionary

# FY14 Supplemental Needs — Other Issues

- \* \$34 million — Official forecast dropped; offset by amnesty collections.
- \* \$28 million — Shortfall in MFP.
- \* \$26 million — Fiscal Status adjustment necessary.
- \* \$17.6 million — State General Fund portion of Medicaid shortfall.
- \* \$10.2 million — Projected shortfall in Local Housing of State Adult Offenders (as will be reported to JLCB in March 2014).
- \* \$5.2 million — Anticipated shortfall in expected savings for Act 389 (substance abuse probation and diversion) offenders.

# Upcoming Finance Meetings

Monday, March 17:

- \* FY15 Executive Budget Highlights
- \* Presentation by the Legislative Auditor relative to audit findings.

Wednesday, March 19:

- \* Presentation by the Commissioner of Administration
- \* Preamble and Department Schedule Presentations with Senate Fiscal Staff and Department Staff