

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 189** SLS 20RS 187
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action: **w/ HSE FLOOR AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: May 29, 2020 12:22 PM **Author:** WHITE, B
Dept./Agy.: Statewide **Analyst:** Alan M. Boxberger
Subject: Provides for administration of COVID-19 Disaster Funds

FUNDS/FUNDING EGF SEE FISC NOTE SD EX See Note Page 1 of 2
 Provides for the creation, transfer, dedication, deposit, and use of certain funds in the state treasury. (7/1/20)

Proposed law provides for legislative intent with regard to providing economic support to Louisiana businesses and political subdivisions for costs incurred in connection with the COVID-19 pandemic from federal fund provided pursuant to Section 5001 of the CARES Act. Proposed law creates the statutorily dedicated Louisiana Main Street Recovery Fund, provides for allowable uses and directs the treasurer to deposit \$300 M of the Federal CARES Act allocation into the fund. Proposed law creates the Louisiana Main Street Recovery Program to be managed by the treasurer for the purposes of making grants to eligible businesses and allows an amount not to exceed 8% of the initial deposit to cover administrative expenses (including the treasurer and the legislative auditor). Proposed law creates the Coronavirus Local Recovery Allocation Fund, provides allowable uses and directs the treasurer to deposit \$511.18 M of the Federal CARES Act allocation into the fund. Proposed law directs that the treasurer shall allocate one half of 1 percent of the monies deposited in the fund to GOHSEP and an equal amount to the legislative auditor for the purposes of performing prescribed duties; provides for LLA review and verification; establishes timelines and deadlines for application, review and transmission of funds; defines eligible reimbursable expenditures; provides for monthly reporting to the Joint Legislative Committee on the Budget; and provides for balances as of 11/1/20.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$811,178,704	\$0	\$0	\$0	\$0	\$811,178,704
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	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
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Ded./Other	\$811,178,704	\$0	\$0	\$0	\$0	\$811,178,704
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	\$811,178,704	\$0	\$0	\$0	\$0	\$811,178,704

EXPENDITURE EXPLANATION

Proposed law will create a significant expenditure and workload increase for the Department of Treasury; a possible significant expenditure and workload increase for the Department of Revenue (DoR); and workload increases for the Louisiana Legislative Auditor (LLA) and Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP). Proposed law provides for the creation of the statutorily dedicated Louisiana Main Street Recovery Fund and the Coronavirus Local Recovery Allocation Fund and provides for the dedication of certain revenues into the funds. The intent is to administer the local (non-state) portion of Louisiana's total allocation of approximately \$1.8 B in accordance with the federal CARES Act. The governor's office has allocated the full 45% allowable distribution, or approximately \$811.2 M to local usage (including political subdivisions and potentially private businesses). Proposed law specifies that of the \$811.2 M, \$300 M shall fund a program for small business grants as provided by federal law (\$40 M of which shall be awarded to minority, veteran or women-owned small businesses). Proposed law specifies that of the \$300 M deposited into the Louisiana Main Street Recovery Fund, the Treasurer may retain an amount not to exceed 8% of the initial deposit into the fund (\$24 M) for administrative expenses, including costs for the treasurer and the legislative auditor for work performed in execution of the program. Proposed law specifies that of the \$511.18 M deposited into the Coronavirus Local Recovery Allocation Fund, one half of one percent of the total shall be allocated to GOHSEP and an equal amount to the LLA for work performed in execution of the program (\$2.56 M each, or \$5.1 M total).

Department of Treasury

Proposed law requires treasury to promulgate emergency rules, develop an application for small businesses, and to verify eligibility with DoR and LLA before making disbursements of grants to reimburse eligible businesses for costs incurred due to COVID-19. Treasury was still in the process of determining its potential fiscal impact as of publication of this fiscal note. Treasury will realize a material and significant increase of expenditures out of the newly created Louisiana Main Street Recovery Fund to execute the provisions of proposed law. Proposed law provides that 8% of the total \$300 M small business allocation shall be available to the treasury for administrative expenses, inclusive of the work required of the LLA. The portion sent to LLA from this allocation to offset expenditures would be dependent on a speculative agreement between the treasury and LLA and is therefore indeterminable. Treasury feels it will be required to procure a consulting services contract to execute the local government program in the prescribed timeframe. The department is still exploring options and attempting to determine the potential expenditure exposure. Treasury is directed to work with the Department of Revenue to verify applicant tax information and with the Department of Education (DoE) to promote application by childcare organizations (DoE reports it can perform this function with existing budgetary and staff resources).

SEE EXPENDITURE EXPLANATION CONTINUED ON PAGE TWO

REVENUE EXPLANATION

Proposed law directs the state treasurer to deposit in the newly created Louisiana Main Street Recovery Fund a sum of \$300 M, and into the newly created Coronavirus Local Recovery Allocation Fund \$511,178,700. The source is federal monies allocated to La pursuant to Section 5001 of the CARES Act. Of the amount deposited into the Louisiana Main Street Recovery Fund, 8% (\$24 M) may be retained by the treasury for administrative expenses of the treasury and LLA. Of the amount deposited into the Coronavirus Local Recovery Allocation Fund, 0.5% shall be provided to both GOHSEP and LLA for the administrative costs (\$2.56 M each, or \$5.1 M total).

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|--|----------------------------|--|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H} | | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & 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} |

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CONTINUED EXPLANATION from page one:

EXPENDITURE EXPLANATION CONTINUED FROM PAGE ONE

Creating a new statutory dedication within the state treasury will result in a marginal workload increase, which can generally be absorbed within existing resources. However, to the extent other legislative instruments create new statutory dedications, there may be material additional costs associated with the aggregate effort to administer these funds. The Treasury performs fund accounting, financial reporting, banking and custodial functions for 404 special funds. When unable to absorb additional workload with existing resources, the Treasury anticipates that it will be required to add one T.O. position and associated expenses, assumed to be SGF in this fiscal note.

Louisiana Legislative Auditor (LLA)

LLA reports that it will realize a workload and expenditure impact to implement the provisions of proposed law. Proposed law provides that 8% of the total \$300 M small business allocation shall be available to the treasury for administrative expenses, inclusive of the work required of the LLA in execution of the program. The portion available to LLA from this allocation to offset expenditures would be dependent on a speculative agreement between the treasury and LLA and is therefore indeterminable. Additionally, proposed law provides that one half of one percent of the \$511.18 M deposited into the Coronavirus Local Recovery Allocation Fund shall be allocated to the LLA to provide for execution of the local government program. This allocation would total \$2.56 M. LLA reports that it will attempt absorb any additional workload with existing staff and potential budgetary resources as contemplated in proposed law. Proposed law requires that the LLA shall perform any necessary review of business requests for reimbursement and report his findings to the treasurer. The LLA shall review documentation submitted by DOA and GOHSEP to determine whether each expenditure can be verified as eligible for reimbursement and within seven calendar days after receipt report his findings and conclusions to GOHSEP and the division. The LLA reports that proposed law may result in a workload impact that will cause staff to be reassigned from other tasks and projects for the duration of the reimbursement programs. The LLA is primarily funded by appropriations from the SGF, but some portion or all of incurred expenditures as contemplated in proposed law may be appropriated as IAT (transfer from treasury). To the extent activities necessary to execute the reimbursement programs as contemplated in proposed law may exceed the offered budget authority, the LLA reports that it will absorb any additional costs and workload with existing budgetary and staff resources.

Governor’s Office of Homeland Security and Emergency Preparedness (GOHSEP)

GOHSEP reports that the provisions enumerated in proposed law will result in a de minimis workload impact on the agency. Proposed law directs the commissioner of administration, in consultation with GOHSEP, to develop procedures to govern the administration of the program and may promulgate emergency rules. GOHSEP reports that DOA will exercise initial review and certification of eligibility for applicants to the local government program for reimbursement from the Coronavirus Local Recovery Allocation Fund prior to submitting documentation of expenditures considered eligible to the LLA for verification. Once LLA has certified the expenditures as eligible for reimbursement, GOHSEP is required to disburse payments within two business days. GOHSEP reports that it can process payments using existing staff and budgetary resources. Proposed law provides that one half of one percent of the \$511.18 M deposited into the Coronavirus Local Recovery Allocation Fund shall be allocated to GOHSEP to provide for execution of the local government program. This allocation would total \$2.56 M.

Division of Administration (DOA)

DOA reports that it planned to utilize existing personnel resources to administer the local government program absent proposed law. During public testimony at the House Appropriations Committee, the commissioner of administration reported that he anticipates the first payments to local governing entities will begin in mid-June. DOA reports that in an effort to maximize distribution to local governing authorities it devised a plan to keep administrative expenses at approximately 0.25% of the total award (approximately \$2.03 M) by repurposing existing staff to this purpose in lieu of regular assigned duties. Under the provisions of proposed law, DOA reports that it can still effectuate its planned activities through mutual agreement and joint operation with GOHSEP to execute the local government program. Proposed law directs the commissioner of administration, in consultation with GOHSEP, to develop procedures to govern the administration of the program and may promulgate emergency rules. DOA reports that it will exercise initial review and certification of eligibility for applicants to the local government program for reimbursement from the Coronavirus Local Recovery Allocation Fund prior to submitting documentation of expenditures considered eligible to the LLA for verification. Once LLA has certified the expenditures as eligible for reimbursement, GOHSEP is required to disburse payments within two business days.

Department of Revenue (DoR)

DoR reports that it will realize a potentially significant workload impact pursuant to the review and certification of submission by the treasury of local businesses requesting reimbursement for eligible expenses. DoR reports that it is unable to quantify the impact because the depth of such review and verification requirements will be established by a speculative rule to be promulgated by the treasury. DoR reports that it anticipates a workload sufficient to require procuring supplemental, temporary staff to receive, verify and confirm any requests from the treasury. DoR utilizes SGR revenues for departmental expenditures and reports that it would require an increase of appropriation to provide for staffing and support costs. DoR collects SGR revenues in excess of its budget authority each year, and excess revenues revert to the SGF at the end of each year or require legislative action for carry forward between fiscal years. DoR reports that special care must be taken during rule promulgation to not include requests for taxpayer information that is subject to confidentiality provisions in state and federal law, and that proposed law in its current form does not provide adequate guidance to applicability of Louisiana tax filings (income only, or all state taxes due including sales, withholding, etc.). Additionally, the inclusion of LLCs, partnerships and sole proprietorships will complicate the certification and confirmation process as those business earnings are reported as pass-through income on individual tax returns. DoR would not in these cases be able to disclose whether business income was reported on the return associated with an individual tax filer.

Joint Legislative Committee on the Budget (JLCB)

JLCB shall receive a monthly report from the director of GOHSEP and the Commissioner of administration detailing the amounts requested for reimbursement in the local government program from the Coronavirus Local Recovery Allocation Fund, the amounts reimbursed, and the average time for disbursing funds to each parish.

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