

**LEGISLATIVE FISCAL OFFICE
ANALYSIS OF BA-7 REQUEST
Approved By JLCB**

DEPARTMENT: Executive

AGENDA NO.: 1

AGENCY: Division of Administration

ANALYST: Alan M. Boxberger

<u>Means of Financing</u>		<u>Expenditures by Program</u>		<u>T. O.</u>
State General Fund:	\$0	Executive Administration	\$0	0
Interagency Transfers:	\$0	Community Dev Block Grant	\$634,468,032	0
Self-Generated Revenue:	\$0	Auxiliary Account	\$0	0
Statutory Dedications:	\$0			
Federal Funds:	\$634,468,032			
Total	<u>\$634,468,032</u>	Total	<u>\$634,468,032</u>	<u>0</u>

I. SUMMARY/COMMENTS

The purpose of this BA-7 request is to increase federal budget authority for the Division of Administration (DOA), Community Development Block Grant (CDBG) Program by \$634,468,032. The source of the federal funds is three federal appropriations under public law as a result of the March (Disaster # 4263) and August (Disaster # 4277) floods of 2016. The Disaster Recovery Unit (DRU) within CDBG estimates to utilize approximately \$634.5 M during FY 18 for flood related expenditures, including direct grants to homeowners and rental housing owners, loans and/or grants to small businesses and farmers, as well as providing funding for administrative costs, infrastructure repairs and enhancements, and watershed modeling and planning.

Explanation of program categories within disaster recovery funding allocation:

Homeowner's Program: \$577.8 M requested for FY 18 (assumes \$557.8 M in FY 19, \$136.8 M in FY 20, \$12.6 M in FY 21 and \$14.5 M in FY 22 for a total of \$1.3 B over five fiscal years)

Provides grants to repair, reconstruct, elevate, or buy out approximately 36,000 flood damaged residential owner-occupied structures. Eligible homeowners will be able to select one of four solutions: 1) the Road Home Program can manage construction activities through it's contracted administrator, 2) the owner can manage construction activities with his or her own contractor, 3) the owner can seek reimbursement for construction activities previously completed, or 4) the owner may agree in certain circumstances to a voluntary buyout of a property where the state determines it is more cost effective or in the public interest to do so.

Rental Housing Program: \$11.4 M requested for FY 18 (assumes \$27.9 M in FY 19, \$27.9 M in FY 20, \$22.4 M in FYs 21 and 22, \$22.2 M in FY 23 for a total of \$134.2 M over six fiscal years)

Provides assistance to owners of large developments (multi-family structures of 20 or more housing units) for repairs and other eligible costs necessary for the repair and sustainability of affordable rental units. The program will focus on addressing rental availability and affordability for low-to-moderate income families in the flood impacted areas.

Small Business Loan and Grant Program, Small Business Technical Assistance: \$5.0 M requested for FY 18 (assumes \$20 M in FY 19, \$25 M in FY 20, \$10 M in FY 21 and \$2 M in FY 22 for a total of \$62 M over five fiscal years)

Provide loans and/or grants to businesses and farmers that realized qualifying losses. Provide grants to entities that provide technical assistance services to businesses.

Infrastructure - FEMA Nonfederal Share Match: \$30 M requested for FY 18 (assumes \$30 M for FY 19, \$20 M for FY 20 and \$10.4 M for FY 21 for a total of \$105 M over four fiscal years)

Provides payment to state agencies, eligible organizations, local governments or other local entities for eligible activities within approved FEMA projects and programs. This program will provide match requirements for eligible FEMA projects requiring state or local match.

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Watershed Modeling and Planning: \$1.96 M requested in FY 18 (assumes \$1.96 M annually for FYs 18 through 22 for a total of \$9.8 M over five fiscal years)

Provides for modeling current and future flood risk across each watershed in the disaster impacted regions of the state in order to determine optimal investment in structural and non-structural infrastructure projects that will help protect flood impacted and CDBG-Disaster Recovery assisted neighborhoods from future flood risks.

Administration: \$8.3 M requested for FY 18 (assumes \$7.5 M for FYs 19 and 20, \$7.4 M for FYs 21 and 22, and \$5.5 M for FY 23 for a total of \$44.5 M over six fiscal years).

Provides personal services, operating expenses, travel and supplies for approximately 41 FTE positions to administer state efforts with regard to the Restore Louisiana Program. The DOA estimates first year expenses as follows:

\$4.1 M - DRU - Personal services and operating costs for approximately 41 FTEs.

\$40,000 - DRU - Travel for flood related activities providing service to 56 of the state's 64 parishes.

\$849,115 - Operating expenses for information technology and related services, contracts to support the Restore Louisiana Program, and provide for operating service costs of office space at LaSalle and Benson Towers.

\$2.98 M - Provides for administrative professional service contracts for planning, research and technical assistance to grantees. Provides for administrative costs of grantee programs.

\$94,500 - Provides for interagency transfer for statewide prorated services including financial services, legal services, risk management, technology services and capitol security.

\$243,044 - Funding for the Louisiana Housing Corporation's administration and Multi-Family & Neighborhood Program and Rapid Rehousing & Permanent Supportive Housing Programs.

II. IMPACT ON FUTURE FISCAL YEARS

Through three federal appropriations under public law, LA will receive an estimated \$1.71 B in Federal Direct monies as a result of the March (Disaster # 4263) and August (Disaster # 4277) floods of 2016. This BA-7 request seeks to appropriate \$634.5 M in FY 18. The Disaster Recovery Unit estimates future drawdown of federal dollars as reimbursement for state expense at approximately \$665.2 M in FY 19, \$229.1 M in FY 20, \$64.7 M in FY 21, \$48.2 M in FY 22, and \$27.7 M in FY 23.

III. LEGISLATIVE FISCAL OFFICE RECOMMENDATION

The Legislative Fiscal Office recommends approval of this BA-7 request, but at a reduced total of \$334,468,032. This recommendation incorporates reducing the Homeowners program by \$300 M to \$277.8 M. The other programs are recommended at the requested levels noted above. The LFO further recommends that DRU make monthly reports to the JLCB regarding total disbursements of funding, updated spending projections as they become available, and any relevant program updates that may be of interest to the legislative body. DRU indicates that after a few months, the agency should have a sufficient baseline of distribution rates and is able to return to JLCB on short notice to request additional authority as needed. Approval of the smaller amount will provide sufficient cash authority for the program to ramp up distributions to homeowners while allowing JLCB to receive future updates regarding the pace of distribution as DRU returns to report and request additional federal authority if needed.

The Restore La Program is still in early phases and has not yet initiated distribution of recovery dollars sufficient to develop a solid projected drawdown of federal dollars during FY 18. DRU indicated to the LFO that it has established an aggressive timeline to distribute most funding to homeowners on a two-year timetable and thus requested \$577.8 M toward that program in FY 18. However, as the program ramps up over the coming months, the LFO is not certain whether the agency will realistically be able to distribute that volume of grant awards over the next seven to eight months. Thus, the LFO recommends reducing the \$577.8 M related to the Homeowners program by \$300 M to \$277.8 M. Within a few months, DRU should be able to provide a more accurate forecast of federal drawdown and whether it estimates the need for additional federal authority during FY 18.

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DEPARTMENT: Economic Development

AGENDA NO.: 2

AGENCY: Business Development

ANALYST: Zachary Rau

<u>Means of Financing</u>		<u>Expenditures by Program</u>		<u>T. O.</u>
State General Fund:	\$0	Business Development	\$183,333	0
Interagency Transfers:	\$0	Business Incentives	\$0	0
Self-Generated Revenue:	\$0			
Statutory Dedications:	\$0			
Federal Funds:	\$183,333			
Total	<u>\$183,333</u>	Total	<u>\$183,333</u>	<u>0</u>

I. SUMMARY/COMMENTS

The purpose of this BA-7 request is to increase federal budget authority for the LA Department of Economic Development (LED), Office of Business Development by \$183,333. The source of the federal funds is a grant awarded by the federal Small Business Administration's (SBA) State Trade and Export Promotion (STEP) grant initiative, with the primary objectives of increasing the number of small businesses exporting and to increase the value of exports for small businesses currently exporting. The grant has a cash match component totaling approximately 33%, or \$61,111, of the grant award. LED is dedicating existing budget authority, personal services expenditure authority, and personnel associated with administering the grant to act as the in-kind match. The grant's term began on September 30, 2017 and ends on 9/29/2018.

LED intends to use the grant funds to assist eligible firms in export efforts by providing partial reimbursement of travel expenses for export-related events such as international trade shows and international buyer program shows. Eligible firms may receive a total reimbursement of up to \$5,555 for export-related activities during the term of the grant. LED will only reimburse travel expenses that it has pre-approved. Companies are selected to participate in the program on an application basis and must meet certain eligibility criteria - such as being based in LA, meeting the SBA definition of "small business," and having a developed exporting strategy - before being allowed to participate.

II. IMPACT ON FUTURE FISCAL YEARS

This BA-7 request has a potential impact on FY 19, as the grant's term extends to 9/30/2018. As a result, LED may carry forward grant resources to fund expenditures associated with Louisiana STEP in the 1st Quarter of FY 19 to the extent resources are still available. However, LED will not be able to expend funds associated with this grant award after the 1st Quarter of FY 19 and subsequent FYs.

III. LEGISLATIVE FISCAL OFFICE RECOMMENDATION

The Legislative Fiscal Office recommends approval of this BA-7 request.

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DEPARTMENT: Environmental Quality

AGENDA NO.: 3

AGENCY: Environmental Quality

ANALYST: Colleen Gil

<u>Means of Financing</u>		<u>Expenditures by Program</u>		<u>T. O.</u>
State General Fund:	\$0	Office of the Secretary	\$0	0
Interagency Transfers:	\$0	Environmental Compliance	\$49,925	0
Self-Generated Revenue:	\$0	Environmental Services	\$0	0
Statutory Dedications:	\$122,137	Management & Finance	\$0	0
Federal Funds:	\$0	Environmental Assessment	\$72,212	0
Total	<u>\$122,137</u>	Total	<u>\$122,137</u>	<u>0</u>

I. SUMMARY/COMMENTS

The purpose of this BA-7 request is to increase budget authority in the amount of \$122,137 from the statutorily dedicated Environmental Trust Fund (ETF) in response to two different settlement agreements. DEQ received the signed settlement agreements from Citgo Petroleum Corporation in May of 2017 and Vertex Refining LA, LLC in June of 2017. The Attorney General's Office finalized the settlement agreements in July and August of 2017.

ETF funds totaling \$49,925 were received from Citgo Petroleum Corporation on 8/24/2017. Per the agreement, the department shall use the monies to purchase a generator for the DEQ's Southwest Regional Office located in Lake Charles. This settlement is the result of alleged violations and noncompliance by Citgo which caused an unauthorized discharge of untreated contaminated storm water runoff and oil into waters of the state, as well as alleged noncompliance in submission of information required to the department.

ETF funds totaling \$72,212 are anticipated to be received from Vertex Refining LA, LLC by 10/20/2017. Per the agreement, the department shall use the monies to purchase a community air monitoring station* which shall be located in the vicinity of Marrero on property owned and leased to DEQ by Jefferson Parish. This settlement is due to investigative findings which alleged that Vertex was releasing a higher than permitted amount of emissions that were causing residents in the area to be concerned about the odor. Further it was alleged that Vertex did not provide the department with all of the relevant facts regarding the facility.

The monies collected by the department will be deposited into an escrow account, and the department anticipates beginning the procurement process upon approval of this request.

***Note:** A community air monitoring station is stationary, and allows employees to collect direct measurements of air pollutant concentrations, analyze and interpret data. These stations do not require an employee to be present full time, and an existing employee of DEQ will be able to assume responsibility of this additional station. There are approximately 40 stations throughout the state.

II. IMPACT ON FUTURE FISCAL YEARS

Approval of this BA-7 request will have no impact on future fiscal years.

III. LEGISLATIVE FISCAL OFFICE RECOMMENDATION

The Legislative Fiscal Office recommends approval of this BA-7 request.