

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **SB 213** SRS 03- 185
 Bill Text Version: **ORIGINAL**
 Opp Chamb Action:
 Sub Bill For:
 Proposed Amd:

Date: April 8, 2003 2:16 PM	Author: DARDENNE
Dept/Agy: Natural Resources	
Subject: Coastal Restoration Fund	Analyst: Greg Albrecht

FUNDS/FUNDING OR DECREASE SD RV See Note Page 1 of 1
 Constitutional amendment to create the Louisiana Coastal Restoration Fund. (1/1/04) (2/3-CA13s1(A))

Creates the Louisiana Coastal Restoration Fund. Seeds the fund with a one-time deposit of 10% of the funds in the Louisiana Education Quality Trust Fund (LEQTF - the 8g Permanent Fund) and the Millennium Trust (tobacco settlement monies). The transfer from the Millennium Trust is to be taken evenly from its three special funds (the Health Excellence Fund, the Education Excellence Fund, and the TOPS Fund). The transfers are to be based on the total amounts in these funds on January 1, 2004. The new funds earnings are to be retained by the new fund.

Earnings of the new Coastal Restoration Fund shall be appropriated solely for programs to reduce coastal erosion and restore eroded areas. The principle may also be appropriated for these purposes by a 2/3 vote of the legislature.

To be submitted at the gubernatorial primary to be held in 2003. Effective January 1, 2004.

EXPENDITURES	2003-04	2004-05	2005-06	2006-07	2007-08	5 YEAR TOTAL
State General Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Stat. Deds./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0
REVENUES	2003-04	2004-05	2005-06	2006-07	2007-08	5 YEAR TOTAL
State General Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Stat. Deds./Other	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

EXPENDITURE EXPLANATION:

REVENUE EXPLANATION:

Based on the balances of these funds in early April 2003, a transfer of 10% of those balances would be over \$192 million. This amount would seed the Coastal Restoration Fund and be a reduction in the source funds (\$86 million from the LEQTF and \$106 million from the Millennium Trust). Actual amounts transferred in January 2004 would likely be somewhat larger than these amounts used for illustration. For purposes of the Coastal Restoration Fund, these monies would be invested in the same manner as the state general fund.

The Treasury provided earnings rates of the existing funds that are representative of what would be foregone by diverting monies from these two funds. Monies diverted from the LEQTF gives up 7.35% (reflecting the fixed income rates), while monies diverted from the Millennium Trust gives up 4.65% (reflecting the tax exempt rates). This translates into an approximate \$6 million - \$7 million per year loss of total LEQTF earnings and a \$4 million - \$5 million per year loss of earnings available for appropriation to Higher Education and K-12 8g programs. Total Millennium Trust earnings would be reduced by approximately \$4 million - \$6 million per year, with a loss of \$2 million - \$3 million per year of earnings available for appropriation to the uses of the three special funds (Health, Education, and TOPS) in the Millennium Trust.

Since the bill allows any portion of the principle of the new Coastal Restoration Fund to be appropriated by a 2/3 vote of the legislature, the Treasury will likely keep the investments of the new fund relatively short-term in maturity. The range of earnings reported by the Treasury for 2 year to 5 year U.S. Treasury notes is 1.5% - 2.85%. This will generate some \$3 million - \$6 million per year of total earnings for the new Fund, available for appropriation to coastal restoration projects. Should any of the principle of the new fund be appropriated to projects, annual dollar earnings would be lower since the investment pool would be smaller.

The authority to appropriate the principle of the new Coastal Restoration Fund along with the earnings ranges utilized above illustrates that roughly \$7 million less net total earnings and \$2 million - \$3 million less net earnings available for appropriation could result from the diversion of resources from the LEQTF and Millennium Trust into the new Coastal Restoration Fund, under the provisions of this bill.

Senate Dual Referral Rules
 13.5.1 >= \$500,000 Annual Fiscal Cost
 13.5.2 >= \$500,000 Annual Tax or Fee Change

House
 6.8(F) >= \$500,000 Annual Fiscal Cost
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease per year

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