



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 587** HLS 14RS 605

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: March 12, 2014	2:08 PM	Author: CARMODY
Dept./Agy.:		
Subject: Constitutional Dedications & funding mandates		Analyst: Travis McIlwain

FUNDS/FUNDING

OR +\$31,000,000 GF RV See Note

Page 1 of 2

(Constitutional Amendment) Eliminates certain constitutional dedications and funding mandates

Proposed constitutional amendment changes funding mandates regarding state supplemental pay for local law enforcement, free school textbooks, the Minimum Foundation Program (MFP), the Coastal Protection & Restoration Fund, deposits into the Transportation Trust Fund, the Parish Transportation Fund and the Lottery Proceeds Fund. Proposed constitutional amendment shall be submitted to the electors at the statewide election to be held on November 4, 2014.

EXPENDITURES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
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

REVENUES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$31,000,000	\$31,000,000	\$31,000,000	\$31,000,000	\$124,000,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	(\$31,000,000)	(\$31,000,000)	(\$31,000,000)	(\$31,000,000)	(\$124,000,000)
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	\$0

EXPENDITURE EXPLANATION

This proposed constitutional amendment modifies specific funding mandates contained within the constitution for state supplemental pay for local law enforcement, free textbooks for education, the MFP, the Coastal Protection & Restoration Fund, the Transportation Trust Fund (Parish Transportation Fund & Aviation Fuel Tax) and the Lottery Proceeds Fund.

State Supplemental Pay for Local Law Enforcement - \$127.1 M

The proposed constitutional amendment changes the funding mandate for funding state supplemental pay for local law enforcement to be permissive and deletes provisions in the law that prevent such payments from ever being reduced. Current statutes provide for eligible local law enforcement individuals to receive a \$500 per month state supplement (\$6,000/year) in addition to receiving normal pay. This amendment removes the mandate for the supplement to be funded every year. Thus, the SGF resources allocated for this purpose annually could be expended elsewhere in the state’s operating budget. The FY 15 budget has \$127 million of SGF allocated for State Supplemental Pay. To the extent this constitutional amendment were currently in place, the legislature could utilize this \$127 million SGF resource on other state expenditures.
(Continued on Page 2)

REVENUE EXPLANATION

This proposed constitutional amendment changes funding mandates for various constitutional items that will result in freeing up revenues that could be utilized in other areas of the budget. One such item increases the SGF revenues by approximately \$31 million by eliminating a like amount of statutory dedication. (See Below).

Coastal Protection & Restoration Fund - \$31 M

The proposed constitutional amendment changes the revenue flow of severance taxes, royalty payments, bonus payments or rentals deposited into this fund. Current law provides that after allocations to the local political subdivisions of the state (paris severance tax & royalty allocations) and deposits to the Conversation Fund, the remaining avails are to be deposited into the Coastal Protection & Restoration Fund. Based upon the current adopted revenue forecast this flow represents approximately \$31 million. If this constitutional amendment is adopted, this \$31 million of revenues would no longer flow into the Coastal Protection & Restoration fund, but would flow into the SGF. Thus, the SGF would have approximately \$31 million of additional resources to expend annually in the state’s operating budget.

Senate

Dual Referral Rules

House

☐ 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

☐ 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

☐ 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

☐ 6.8(F)(2) >= \$500,000 State Rev. Reduc. {H & S}

☐ 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Gregory V. Albrecht
Chief Economist



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CONTINUED EXPLANATION from page one:

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Parish Transportation Fund (Transportation Trust Fund) - \$35 M

The proposed constitutional amendment eliminates the minimum funding source of the Parish Transportation Fund. Current constitutional provisions provide for the Parish Transportation Fund to receive no less than 1 cent of the gasoline tax and special fuels. This equates to approximately \$35 million of fuels tax resources. This program provides funding to local government entities for road systems, maintenance, mass transit and to serve as local match for off-system roads and bridges. Eliminating the mandate contained in the constitution for the Parish Transportation Fund will allow the legislature to appropriate \$35 million of TTF resources in other areas of the transportation operating budget or capital budget.

Aviation Fuel Tax (Transportation Trust Fund) - \$29.8 M

The proposed constitutional amendment eliminates the annual revenue flow dedicated for the airport priority program. Current constitutional provisions provide for the appropriation for the airport priority program be a sum equal to, but not greater than, the annual estimated revenue to be derived from the state taxes to be collected and received on aviation fuel. The total amount annually allocated for the program is \$29.8 million. Other than approximately \$1.4 million of these resources being allocated to DOTD for administrative costs, the rest of such funds are annually appropriated in the capital outlay bill. The aviation fuel taxes will still be dedicated to the TTF, but such resources will no longer be earmarked for airport projects and could be expended on other allowable TTF expenditures in the operating budget and/or capital budget.

Lottery Proceeds Fund - \$156.5 M

The proposed constitutional amendment eliminates the requirement that funds from the Lottery Proceeds Fund be spent on the MFP. Based upon the current adopted revenue forecast, if this constitutional amendment is enacted, approximately \$156.5 million of estimated lottery proceeds funds can be expended in other areas of the state’s operating budget.

Minimum Foundation Program (MFP)

The proposed constitutional amendment impacts the MFP and educational spending requirements in the following areas:

MFP Funding Mandate - The proposed constitutional amendment appears to eliminate the MFP funding mandate contained within the current constitution as the bill provides for BESE to equitably allocate funds appropriated by the legislature. Thus, this portion of the amendment gives the legislature more flexibility in determining the amount of funding to be allocated to K -12 education as opposed to an up or down vote of a new MFP formula, inclusive of its total cost. BESE would still be responsible for the allocation, but the legislature would now have the ability to determine the specific amount.

Free Textbooks \$19 M (+) - The proposed constitutional amendment no longer requires the state to provide free text books and other materials of instruction. To the extent this amendment is enacted, the funds currently utilized to pay for textbooks and materials can be utilized in other areas of the state’s operating budget. Since funding for textbooks is included within the MFP formula, the LFO cannot ascertain the specific amount allocated for textbooks in FY 15. The last time the department quantified a per pupil amount for textbooks was 1991, which equated to \$27.02/child. Based upon the current FY 15 enrollment projections of 686,666 children, utilizing \$27.02/child amount would result in at least \$19 M of resources allocated for textbooks within the formula.

Projected Deficits - The proposed constitutional amendment will grant the governor and the state legislature the ability to reduce the MFP to solve a mid-year SGF projected deficit. Current constitutional provisions limit MFP funding reductions to no higher than 1%. This constitutional change will give the governor and legislature more options in solving for a projected mid-year SGF deficit.

Secretary of State - Ballot Costs

The proposed constitutional amendment will be considered by voters at the statewide election to be held on November 4, 2014. The Secretary of State may incur minimal ballot printing costs associated with this measure. However, as a regular practice, the Secretary of State typically budgets for up to 10 constitutional amendments for the fall statewide elections.

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Dual Referral Rules

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