

**GREEN SHEET REDIGEST**

**HB 7**

**2024 Third Extraordinary Session**

**Emerson**

**FUNDS/FUNDING: (Constitutional Amendment) Revises Article VII of the Constitution of La. (Items #1, 2, 7, and 14)**

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**DIGEST**

Present constitution (Article XIII, §1) authorizes revision of present constitution by joint resolution. Authorizes revision of an entire article of present constitution in one instrument, which may contain multiple objects. Authorizes repeal of a Section or subdivision by reference. Proposed constitutional amendment retains present constitution.

Proposed constitutional amendment, as more fully described below, revises Article VII of the state constitution relative to revenue and finance.

**POWER TO TAX**

Present constitution (Art. VII, §1) vests the power of taxation in the legislature and prohibits the judicial branch from exercising this power through court order. Proposed constitutional amendment retains present constitution.

Present constitution (Art. VII, §2) requires a law enacted by a 2/3 vote of the legislature to levy a new tax, increase an existing tax, or repeal an existing tax exemption. Proposed constitutional amendment retains present constitution and further requires enactment by a 2/3 vote of the legislature for the enactment of an exemption, exclusion, deduction, credit, or rebate or an increase in the amount of a deduction, credit, or rebate.

Present constitution (Art. VII, §2.1) provides requirements for enactment of new fees or civil fines or increases in existing fees or civil fines imposed by the state or any board, department, or agency thereof. Proposed constitutional amendment redesignates present constitution as Art. VII, §3 and otherwise retains present constitution.

Present constitution (Art. VII, §2.2) establishes limitations on the state's authority to levy sales and use taxes on food for home consumption (as defined by law); natural gas, electricity, and water sold directly to the consumer for residential use; and prescription drugs. Proposed constitutional amendment redesignates present constitution as Art. VII, §4 and retains present constitution. Further provides that the sales and use tax levied by a political subdivision shall apply to any sale at retail, use, lease, rental, consumption, or storage as required by law.

Present constitution (Art. VII, §2.3) prohibits new taxes or fees upon the sale or transfer of immovable property after Nov. 30, 2011. Proposed constitutional amendment redesignates present constitution as Art. VII, §5 and otherwise retains present constitution. Moves present constitution (Art. VII, §4) prohibition on the levy of severance, income, inheritance, or motor fuel taxes by a political subdivision to proposed constitutional amendment Art. VII, §5. Otherwise retains said prohibition. Further prohibits the enactment on and after Jan. 1, 2026, of any new sales and use tax exemption, exclusion, credit, rebate, or refund unless it is applicable to both the state and political subdivisions.

Present constitution (Art. VII, §3) requires the legislature to prohibit the issuance of process to restrain the collection of any tax. Requires the prompt remittance to political subdivisions of funds collected by the single collector or centralized collection arrangement. Authorizes the legislature to provide by law for the collection of sales and use taxes levied by political subdivisions or by a central collection commission in parishes where a single collector has not been established. Proposed constitutional amendment redesignates present constitution as Art. VII, §6 and otherwise retains present constitution. Present constitution requires a single collector for each parish for sales and use taxes levied by political subdivisions in said parish prior to July 1, 1992. Proposed constitutional amendment repeals present constitution.

Further provides that revenues collected by the state on behalf of a taxing authority are not state money, are to be held in trust, and are property of the taxing authority which imposed the tax. Prohibits commingling of such monies with state monies. Require remittal to the owner of the taxes within 30 days of collection. Maintains the operations and funding of the Uniform Local Sales Tax Board and requires any changes to its membership or reduction in its authority be enacted only by a 2/3 vote of the legislature.

### INCOME TAXES

Present constitution (Art. VII, §4) authorizes levy of income tax and establishes a maximum rate. Proposed constitutional amendment redesignates present constitution as Art. VII, §7 and retains present constitution. Present constitution authorizes federal income taxes paid as an allowed deductible in the computation of state income taxes for the same period. Proposed constitutional amendment repeals present constitution. Present constitution provides a maximum individual income tax rate of 4 and 3/4 percent. Proposed constitutional amendment changes the maximum rate to a maximum rate of 3 and 3/4 percent. Proposed constitutional amendment further provides that for tax years beginning after Dec. 31, 2025, a person sixty-five years of age or older is entitled to an additional standard deduction equal to the amount applicable for a single individual provided by law (R.S. 47:294).

### SEVERANCE TAXES

Present constitution (Art. VII, §4) authorizes the levy of taxes by the state on natural resources severed from the soil or water. Proposed constitutional amendment redesignates the severance tax provisions as Art. VII, §8 and otherwise retains this authorization. Present constitution establishes specific authorizations, requirements, and prohibitions regarding the levy of severance taxes by the state. Proposed constitutional amendment repeals these authorizations, requirements, and prohibitions. Present constitution further provides that the presence of oil or gas or the production thereof may be included in the methodology to determine the fair market value of an oil or gas well for ad valorem taxes. Proposed constitutional amendment repeals this authorization.

Present constitution (Art. VII, §4) requires remittal of certain portions of sulphur severance, lignite severance, timber severance, and other natural resources (other than sulphur, lignite, or timber) to the governing authority of the parish in which severance or production occurs. Proposed constitutional amendment retains present constitution (as Art. VII, §8). Present constitution establishes specific allocations of severance taxes (and monetary caps on such allocations) that are to be remitted pursuant to present constitution, based on when the allocation is made. Pursuant to present constitution, governing authorities are to receive the following:

- (1) 1/3 of the sulphur severance tax, not to exceed \$100,000.
- (2) 1/3 of the lignite severance tax, not to exceed \$100,000.
- (3) 1/5 of the severance tax on all natural resources other than sulphur, lignite, or timber, not to exceed \$850,000; however, this cap is increased each year since 2008, by an amount equal to the average annual increase in the Consumer Price Index for all urban consumers.
- (4) 3/4 of the timber severance, without cap.

Present constitution further provides for revised distribution of such severance taxes, beginning with the first official forecast that shows severance tax revenues from natural resources other than sulphur, lignite, or timber exceed the actual severance tax revenues from such resources collected in FY 2008-2009. Proposed constitutional amendment repeals these allocations and caps and the revised distribution schedule and establishes the allocation as follows:

- (1) 1/3 of the sulphur severance tax.

- (2) 1/3 of the lignite severance tax.
- (3) 1/2 of the brine severance tax.
- (4) 1/5 of the severance tax on all natural resources other than sulphur, lignite, or timber.
- (5) 3/4 of the timber severance tax.

Further authorizes the legislature, by law, to do any of the following:

- (1) Increase or decrease the proportion of tax avails to be remitted for any of the severance taxes allocated in proposed constitutional amendment.
- (2) Establish an annual maximum that may be remitted for any of the severance taxes.

Present constitution dedicates 1/10 of the royalties from mineral leases on state-owned land and lake and river beds and other water bottoms belonging to the state to the governing authority of the parish in which severance or production occurs. Further authorizes the governing authority to fund such royalties into general obligation bonds. Proposed constitutional amendment retains present constitution.

Proposed constitutional amendment requires the legislature to establish by law a fee on carbon dioxide injected in underground formations for purposes of geologic sequestration.

### **CIGARETTE TAX**

Present constitution (Art. VII, §4.1) establishes a minimum rate for taxes levied on cigarettes. Proposed constitutional amendment repeals present constitution.

### **MOTOR VEHICLE LICENSE TAX**

Present constitution (Art. VII, §5) authorizes the imposition of an annual license tax by the state on automobiles for private use. Prohibits parishes and municipalities from levying such a tax. Proposed constitutional amendment redesignates present constitution as Art. VII, §9 and otherwise retains present constitution. Present constitution establishes requirements and restrictions relative to such tax. Dedicates revenues from such tax, after payment of other obligations, to the Transportation Trust Fund. Proposed constitutional amendment repeals present constitution.

### **BONDS**

Present constitution (Art. VII, §6) limits the power of the state to issue bonds, except in certain circumstances. Provides for the pledge of the full faith and credit of the state to the repayment of its bonds. Requires a 2/3 vote of the legislature to propose a statewide referendum to authorize incurrence of debt for any purpose for which the legislature is not authorized to incur debt by present constitution. Provides for limitations and exceptions. Proposed constitutional amendment redesignates present constitution as Art. VII, §10 and otherwise retains present constitution.

Present constitution (Art. VII, §7) establishes the Interim Emergency Board to make appropriations from the state general fund or borrow on the full faith and credit of the state in certain circumstances. Provides for the composition and powers of the Board including limits on its authority. Proposed constitutional amendment redesignates present constitution as Art. VII, §11 and otherwise retains present constitution.

Present constitution (Art. VII, §8) establishes the State Bond Commission and authorizes provision for its membership and authority by law. Requires prior written approval of the Commission before any bond or other obligation can be issued or sold, directly or indirectly, by the state. Further establishes requirements for issuing and challenging the validity of such bonds. Proposed constitutional amendment redesignates present constitution as Art. VII, §12 and otherwise retains present constitution.

## STATE MONIES

Present constitution (Art. VII, §9) requires all money received by the state or any state board, agency, or commission to be deposited immediately upon receipt into the state treasury. Provides exceptions for certain specific classes of revenue. Establishes the Bond Security and Redemption Fund and, with certain exceptions, requires all state money deposited in the treasury to be credited to such fund. Proposed constitutional amendment redesignates present constitution as Art. VII, §13 and otherwise retains present constitution.

Present constitution (Art. VII, §10) establishes the Revenue Estimating Conference and provides for its composition and powers. Requires the Conference to adopt an official forecast of revenues to be received by the state general fund and dedicated funds and to revise such estimate as necessary. Further requires revenues in such forecast to be designated as either recurring or nonrecurring. Proposed constitutional amendment redesignates present constitution as Art. VII, §14 and otherwise retains present constitution.

### (a) Expenditure Limit

Present constitution (Art. VII, §10) requires the legislature to provide for the determination of an expenditure limit for each fiscal year. Caps annual growth of the limit at the average annual percentage rate of change of personal income for La. as defined and reported by the U.S. Dept. of Commerce for the three calendar years prior to the fiscal year for which the limit is calculated. Authorizes the legislature to change the limit in any fiscal year by a favorable vote of two-thirds of the elected members of each house. Requires any change in the expenditure limit to be approved by passage of a specific legislative instrument which clearly state the intent to change the limit. Proposed constitutional amendment retains present constitution.

Present constitution (Art. VII, §10) establishes an exception to the expenditure limit for funds allocated by present constitution (Art. VII, §4). Proposed constitutional amendment makes technical change and otherwise retains present constitution.

### (b) Government Growth Limit

Proposed constitutional amendment establishes the Government Growth Limit ("growth limit") for Fiscal Year 2026-2027 and for each fiscal year thereafter. Except in certain limited circumstances provided in proposed constitutional amendment, prohibits spending of recurring revenues above such limit. Requires the Revenue Estimating Conference to adopt a growth limit no later than the first quarter of the calendar year for the ensuing fiscal year. Further requires the legislature to provide by law for a procedure to calculate such limit.

Proposed constitutional amendment requires that if the growth limit calculated for any fiscal year exceeds the expenditure limit calculated for the same fiscal year, the growth limit shall be equal to the expenditure limit for that fiscal year. Additionally provides that if the legislature lowers the expenditure limit in a fiscal year and the resulting limit is lower than the growth limit for that fiscal year, the growth limit for that fiscal year is automatically lowered to equal the expenditure limit set by the legislature.

Proposed constitution restricts appropriation of recurring revenue amounts recognized in the official forecast above the growth limit and below the expenditure limit to nonrecurring expenses. For the purposes of proposed constitutional amendment, the term "nonrecurring expense" means an expense that is not of a continuing or recurring character and that in the normal course of administration is not expected to be necessary in approximately the same amounts each year.

Further authorizes the legislature to change a growth limit by a favorable vote of two-thirds of the elected members of each house if each of the growth factors for any of the three fiscal years immediately preceding the year to be changed was two and one-half percent or less. Requires any change to the limit be approved by passage of a specific legislative instrument which clearly states the intent to change the limit.

Proposed constitutional amendment establishes the growth limit for the 2025-2026 Fiscal Year as equal the base, plus the product of such amount and three percent. For the purposes of proposed constitutional amendment, defines "the base" to mean the total of appropriations for recurring expenses from the state general fund and dedicated funds for the immediately prior fiscal year and excludes any appropriation or allocation excluded from analysis of appropriation totals in relation to the expenditure limit. Requires the commissioner of administration calculate and submit the growth limit for Fiscal Year 2025-2026 to the speaker of the House, the president of the Senate, the House Committee on Appropriations, and the Senate Committee on Finance as soon as practicable after the effective date of proposed constitutional amendment.

Proposed constitutional amendment exempts certain severance and royalty payments made pursuant to present constitution (Art. VII, §4(D) and (E)) from the provisions of proposed constitutional amendment.

#### (c) Appropriations

Present constitution (Art. VII, §10) requires an appropriation made in accordance with law to withdraw money from the state treasury. With specific exception for certain severance and royalty payments, prohibits appropriations from the state general fund and dedicated funds from exceeding the expenditure limit for the fiscal year. Proposed constitutional amendment makes technical changes and otherwise retains present constitution.

Present constitution (Art. VII, §10) restricts appropriation or allocation of any money designated in the official forecast as nonrecurring to six specific purposes:

- (1) Retiring or defeasance of bonds.
- (2) Providing payments against the unfunded accrued liability of public retirement systems. Requires at least 25% of nonrecurring monies to be appropriated to the state retirement systems for application to their oldest debt.
- (3) Funding for capital outlay projects in the comprehensive state capital budget.
- (4) For allocation or appropriation to the Budget Stabilization Fund.
- (5) For allocation or appropriation to the Coastal Protection and Restoration Fund.
- (6) For new highway construction for which federal matching funds are available.

Proposed constitutional amendment, with one change noted below, retains present constitution. Present constitution (Art. VII, §10.3), as will be discussed later, places a cap on the total amount of deposits that may be made into the Budget Stabilization Fund. Proposed constitutional amendment authorizes deposits of nonrecurring monies into the Fund unless the deposit would cause the Fund's balance to exceed its constitutional cap.

#### (d) Supplemental Pay

Present constitution (Art. VII, §10) requires the legislature to provide by law for the payment by the state of supplements to the salaries of full-time local law enforcement and fire protection officers. Prohibits reduction of such payments. Requires the legislature to appropriate funds sufficient to fully fund the cost of such supplements. Authorizes the governor to reduce such appropriation in certain circumstances using means provided in the Act containing the appropriation. Proposed constitutional amendment retains present constitution.

#### (e) Budgets and Deficits

Present constitution (Art. VII, §10) prohibits appropriations from the state general fund and dedicated funds for any fiscal year (except for specific royalty and severance payments) from exceeding the official forecast in effect at the time the appropriations are made. Proposed

constitutional amendment requires appropriations of recurring revenue from the state general fund and dedicated funds to comply with the provisions of the Government Growth Limit. Makes technical changes and otherwise retains present constitution.

Present constitution (Art. VII, §10) requires the legislature to establish a procedure to determine if appropriations will exceed the official forecast and a method for adjusting appropriations in order to eliminate a projected deficit. Once enacted, prohibits change to such procedures except by specific legislative instrument which receives a favorable vote of 2/3 of the legislature. Authorizes adjustments to constitutionally protected or mandated allocations or appropriations (and transfer of monies associated with such adjustments) in certain circumstances. Further grants authority to remediate projected deficits. Requires the governor to call a special session if necessary adjustments are not made to appropriations to eliminate a projected deficit within 30 days of its recognition. Proposed constitutional amendment retains present constitution.

Present constitution (Art. VII, §10) exempts certain funds and allocations from deficit avoidance procedures. Proposed constitutional amendment makes technical and conforming changes and otherwise retains present constitution.

Present constitution (Art. VII, §10) requires elimination of a year-end deficit no later than the end of the next fiscal year. Further requires the legislature to have published a regular statement of receipts and expenditures of all state money at least annually. Prohibits appropriation except for a public purpose. Proposed constitutional amendment retains present constitution.

Present constitution defines "state general fund and dedicated funds" for the purposes of Article VII. Proposed constitutional amendment makes conforming change and otherwise retains present constitution.

### **BUDGET STABILIZATION FUND**

Present constitution (Art. VII, §10.3) establishes the Budget Stabilization Fund and provides for the deposit and uses of monies in the fund. Proposed constitutional amendment redesignates present constitution as Art. VII, §15 and retains authorized uses of monies in the fund. With respect to deposits into the fund, present constitution requires the following:

- (1) All money available for appropriation from the state general fund and dedicated funds in excess of the expenditure limit.
- (2) 25% of any money designated in the official forecast as nonrecurring.
- (3) Any money appropriated by to the fund by the legislature.
- (4) All remaining revenues received in each fiscal year by the state in excess of \$950 M as a result of the production of or exploration for minerals after certain required allocations. Further defines minerals for the purposes of present constitution. Authorizes the threshold amount to be increased under certain circumstances.
- (5) An amount equivalent to the money received by the state from the federal government for the reimbursement of costs associated with a federally declared disaster, not to exceed certain limits.

Proposed constitutional amendment, with the exception of deposit of mineral revenues as explained below, for both the current fiscal year and all out years retains present constitution regarding deposit of monies into the fund. With respect to the deposit of mineral revenues in the current fiscal year, proposed constitutional amendment (instrument Section 3) retains present constitution requirements, except with respect to the deposit of mineral revenues into the La. Education Quality Trust Fund (LEQTF) prior to deposit into the Budget Stabilization Fund, because the LEQTF is being repealed by proposed constitutional amendment. Beginning Fiscal Year 2025-2026, proposed constitutional amendment repeals present

constitution requirements regarding deposit into the fund of mineral revenues above a certain threshold amount.

Present constitution prohibits use of monies in the fund unless certain conditions are met. Proposed constitutional amendment retains present constitution.

Present constitution requires monies in the fund to be invested as provided by law and earnings realized each fiscal year on such investment are to be deposited to the credit of the fund. Unexpended and unencumbered monies in the fund at the end of the fiscal year remain in the fund. Proposed constitutional amendment retains present constitution.

Present constitution prohibits use of more than 1/3 of the fund balance as of the beginning of the current fiscal year in any fiscal year. Proposed constitutional amendment retains present constitution.

Present constitution prohibits appropriation or deposit to the fund if it would cause the balance in the fund to exceed four percent of total state revenue receipts for the previous fiscal year. Proposed constitutional amendment increases this cap to seven and one-half of one percent of total state revenue receipts for the previous fiscal year.

### **TRANSPORTATION TRUST FUND**

Present constitution (Art. VII, §27) establishes the Transportation Trust Fund and provides for deposit and use of monies in the fund. Requires deposit of remaining avails received each year from all taxes levied on gasoline and motor fuels and on special fuels after payment of certain bonded indebtedness. Requires monies in the fund to be used solely and exclusively for the costs for an associated with construction and maintenance of the roads and bridges of the state and federal highway systems, the Statewide Flood-Control Program or its successor, ports, airports, transit, and the Parish Transportation Fund and for the payment of any obligations incident to the issuance, security, and payment of bonds or other obligations payable from the trust. Authorizes the issuance of bonds secured by a pledge of a portion of the revenues deposited into the fund, not to exceed the avails of four cents per gallon. Provides requirements and restriction on the issuance of such bonds. Proposed constitutional amendment redesignates present constitution as Art. VII, §16, makes technical and conforming changes, and otherwise retains present constitution.

Present constitution establishes a Construction Subfund within the Transportation Trust Fund. Prohibits use of monies in the subfund for the payment of employee wages and related benefits or employee retirement benefits. Dedicates the avails of any new taxes that become effective and are levied on gasoline, motor fuels, or special fuels on or after July 1, 2017, to the Subfund. Proposed constitutional amendment repeals this dedication of revenue to the Subfund. Otherwise retains present constitution.

Present constitution requires an annual appropriation for airports to 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. Proposed constitutional amendment (instrument Section 4) retains present constitution for Fiscal Year 2024-2025. Beginning with the appropriation for Fiscal Year 2025-2026, proposed constitutional amendment requires that the annual appropriation for airports be calculated as provided by law.

### **COASTAL PROTECTION AND RESTORATION FUND**

Present constitution (Art. VII, §10.2) establishes the Coastal Protection and Restoration Fund in the state treasury. Provides that monies in the fund may be appropriated for purposes consistent with the Coastal Protection Plan developed by the Coastal Protection and Restoration Authority, or its successor. Prohibits appropriation from the fund inconsistent with the purposes of such plan. Requires deposit into the fund of federal monies received each fiscal year received by the state generated from Outer Continental Shelf energy production, including oil and gas activity, solar energy, etc., and eligible as provided by federal law to be used for the purposes of the fund. Requires such federal monies to be used only for the purposes of coastal protection, including conservation, coastal restoration,

hurricane protection, and infrastructure directly impacted by coastal wetland losses. Requires monies in the fund to be invested as provided by law and any earnings realized from such investment be deposited into the fund. Authorizes deposit into the account of donations, appropriations, and dedications. Requires any unexpended monies remaining in the fund at the end of the fiscal year be retained in the fund. Proposed constitutional amendment redesignates present constitution as Art. VII, §17 and otherwise retains these provisions of present constitution.

Present constitution requires the state treasurer to make certain allocations from certain revenues received in each fiscal year by the state as a result of the production of or exploration for minerals from severance taxes, royalty payments, bonus payments, or rentals. Once such allocations are done, present constitution further requires the treasurer to deposit into the Coastal Protection and Restoration Fund from remaining revenues an amount up to \$5 M, provided that the balance of the fund which consists of these mineral revenues shall not exceed an amount provided by law, which shall be no less than \$500 M. After such deposit, remaining revenues are deposited according to a threshold schedule; however, the cap on the amount of the fund balance that may be comprised of mineral revenues (described above) applies. Proposed constitutional amendment repeals present constitution.

Present constitution exempts federal revenues deposited from Outer Continental Shelf activity from the fund's mineral revenue balance cap. Proposed constitutional amendment repeals present constitution.

Present constitution provides that if the state resecuritizes proceeds from the Tobacco Settlement Agreement after July 1, 2006, then 20% in the aggregate of the revenues received as a result of the securitization. Provides for use of such monies. Proposed constitutional amendment repeals present constitution.

## **SPECIAL CLASSES OF TRUSTS AND FUNDS**

### **(a) Permanent Trust Funds**

Proposed constitutional amendment (Art. VII, §18) authorizes the legislature to designate certain funds as "Permanent Trust Funds". Provides that any fund so designated is subject to the following restrictions:

- (1) Except for certain exceptions in proposed constitutional amendment, all funds deposited into a permanent trust fund shall constitute the trust's principal and shall be held in trust permanently and invested by the state treasurer as provided by law.
- (2) Removal of any portion of the principal, except for investment purposes as authorized by law, requires a constitutional amendment.
- (3) Interest and investment earnings from monies held in the fund may be dedicated as provided by law. Once such dedication is enacted, it cannot be changed except by a law enacted by the favorable vote of 2/3 of the members of each house of the legislature.
- (4) Unless provided otherwise by the constitution or by the provisions of the subfund, the provisions of proposed constitutional amendment apply to any subfund created within a permanent trust.
- (5) A fund's status as a permanent trust fund may only be changed by law enacted by the favorable vote of two-thirds of the elected members of each house of the legislature.

Proposed constitutional amendment further designates the Millennium Trust (proposed constitutional amendment Art. VII, §20) and the La. Unclaimed Property Permanent Trust Fund (proposed constitutional amendment Art. VII, §40) as a Permanent Trust Funds. Further authorizes any other trust designated by law to be a permanent trust fund.

### **(b) Program Funds**



Proposed constitutional amendment (Art. VII, §19) authorizes the legislature to create and designate funds as program funds by law enacted by the favorable vote of 2/3 of the elected members of each house of the legislature. Further prohibits any change to a program fund except by a law passed by the favorable vote of 2/3 of the members of each house of the legislature.

Further designates each of the following existing funds as program funds and authorizes the legislature to designate others by law:

- (1) The Artificial Reef Development Fund.
- (2) The Oil Spill Contingency Fund.
- (3) The Oilfield Site Restoration Fund.

#### **LA. EDUCATION QUALITY TRUST FUND**

Present constitution (Art. VII, §10.1) establishes the LEQTF. Required certain portions of monies received by the state from a settlement with the federal government regarding mineral production activity or leasing activity on the Outer Continental Shelf be deposited into the LEQTF and held as part of a permanent trust fund. Further requires deposit into the permanent trust fund 25% of the interest income earned on investment of monies in the permanent trust fund, 75% of the realized capital gains on permanent trust fund monies, and 25% of dividend income earned on permanent trust fund monies be deposited into the permanent trust fund. Prohibits appropriation from the permanent trust fund.

Within the LEQTF, present constitution also established the "Support Fund" and requires deposit of 75% of the recurring revenues received pursuant to federal law (43 U.S.C. 1337(g)) which are attributable to mineral production activity or leasing activity. Further requires deposit of the percent remaining of the realized capital gains and interest income and dividend income earned on investment of the permanent trust fund.

Requires deposits in conformity with allocations described above until the balance in the permanent trust fund reaches \$2 B. Thereafter requires all interest earnings and all recurring revenues be credited to the Support Fund.

Requires monies in the permanent trust fund to be invested by the treasurer and authorizes up to 35% to be invested in stock. Authorizes monies in the Support Fund to be available to pay expenses incurred in the investment and management of the permanent trust fund and for educational purposes as provided in present constitution.

Present constitution requires the State Board of Elementary and Secondary Education (BESE) and the Board of Regents to submit annual reports to the legislature regarding proposed programs and budgets for monies in the Support Fund.

Present constitution authorizes appropriation from the Support Fund only for investment and management expenses and for educational purposes. Requires available monies to be appropriated equally between higher education and elementary and secondary education purposes. Requires appropriation of monies for educational purposes be made to the Board of Regents and BESE.

Present constitution prohibits monies appropriated from the Support Fund from displacing, replacing, or supplanting appropriations from the general fund for other educational purposes. With certain exceptions, prohibits appropriation of monies for any fiscal year from the Support Fund for any purpose for which a general fund appropriation was made in the previous year.

Present constitution provides a list of eligible purposes for monies appropriated to the Board of Regents from the Support Fund, including the endowment of chairs for eminent scholars and enhancing the quality of academic, research, or agricultural departments or unites within

an institution. Provides a list of eligible purposes for monies appropriated to BESE from the Support Fund, including compensation to professional instructional employees, insuring adequate supply of instructional materials, and funding school remediation programs.

Proposed constitutional amendment repeals present constitution.

### **OILFIELD SITE RESTORATION FUND**

Present constitution (Art. VII, §10.6) establishes the Oilfield Site Restoration Fund within the state treasury. Requires deposit of certain revenues into the fund. Further requires monies in the fund be appropriated to the Dept. of Natural Resources (now the Dept. of Energy and Natural Resources) for sole use for the programs and purposes of oilfield site restoration as required by law. Provides that unexpended and unencumbered monies in the fund at the end of the fiscal year remain in the fund. Requires investment of monies in the fund by the treasurer as provided by law. Requires all interest earned on fund monies be deposited into the fund. Requires the treasurer to prepare and submit to the department on a quarterly basis a printed report showing the amount of money in the fund from all sources. Exempts certain severance and royalty payments required by present constitution from the fund.

Proposed constitutional amendment repeals present constitution; however, proposed constitutional amendment additionally designates this fund as a program fund in Art. VII, §19, so it may continue in statute as a special class of protected fund.

### **OIL SPILL CONTINGENCY FUND**

Present constitution (Art. VII, §10.7) establishes the Oil Spill Contingency Fund within the state treasury. Requires deposit of certain revenues into the fund. Further requires monies in the fund be appropriated solely for the programs and purposes of abatement and containment of actual or threatened unauthorized discharges of oil as provided by law and for administrative expenses associated with such programs and purposes. Provides that unexpended and unencumbered monies in the fund at the end of the fiscal year remain in the fund. Requires investment of monies in the fund by the treasurer as provided by law. Requires all interest earned on fund monies be deposited into the fund. Prohibits the balance of the fund to exceed \$30 M or a balance established by law. Exempts certain severance and royalty payments required by present constitution from the fund.

Proposed constitutional amendment repeals present constitution; however, proposed constitutional amendment additionally designates this fund as a program fund in Art. VII, §19, so it may continue in statute as a special class of protected fund.

### **MILLENNIUM TRUST**

Present constitution (Art. VII, §10.8) establishes the Millennium Trust as a special permanent trust in the state treasury. Requires deposit of certain monies received by the state as a result of settling litigation against certain tobacco product manufacturers. Proposed constitutional amendment retains present constitution.

Present constitution establishes three funds within the Millennium Trust: the Health Excellence Fund, the Education Excellence Fund, and the TOPS Fund. As further explained below, proposed constitutional amendment makes structural changes to the Health Excellence and TOPS Funds and repeals the Education Excellence Fund in its entirety.

Present constitution requires deposit into the Millennium Trust of 75% of the total monies received each year. Proposed constitutional amendment retains present constitution. Present constitution requires that, beginning after the balance in the Millennium Trust reaches a total of \$1,380,000,000, monies deposited into the trust shall be allocated to the various funds within the trust in accordance with present constitution. Proposed constitutional amendment repeals present constitution and requires monies deposited into the trust from the settlement agreement be allocated to the TOPS Fund.

Present constitution provides that the amount of settlement agreement revenues deposited into the Millennium Trust and credited to the respective funds may be increased and the amount of such revenues deposited into the La. Fund may be decreased by a specific legislative instrument which receives a favorable vote of 2/3 of the legislature. Proposed constitutional amendment retains present constitution.

Present constitution requires the treasurer to invest monies credited to the Millennium Trust with the same authority and subject to the same restrictions as monies in the LEQTF. Further provides that the portion of monies in the Millennium Trust that may be invested in stock may be increased to no more than 50% by a specific legislative instrument which receives the favorable vote of 2/3 of the legislature. Requires the legislature to provide for procedures for the investment of such monies by law. Authorizes the treasurer to contract (with State Bond Commission approval) for the management of such investments and may pay costs associated with such contract with an appropriation from the trust. Proposed constitutional amendment repeals present constitution.

#### (a) Health Excellence Fund

Present constitution requires the treasurer to credit to the Health Excellence Fund 1/3 of all investment earning on the investment of monies in the trust. Further requires deposit in the Health Excellence Fund of the revenues derived from the 4/20 of one cent per cigarette tax levied pursuant to present law (R.S. 47:841(B)(3)). Proposed constitutional amendment repeals present constitution and requires funding for the Health Excellence Fund to be provided by law, but prohibits any portion of the settlement agreement proceeds from being deposited into the fund. Present constitution requires the treasurer to report annually to the legislature as to the amount of investment earnings credited to the Health Excellence Fund. Proposed constitutional amendment repeals present constitution.

Present constitution limits appropriations from the Health Excellence Fund to an annual amount not to exceed the estimated aggregate annual earnings from interest, dividends, and realized capital gains on investment of the trust credited to the Health Excellence Fund and the amount of proceeds credited to the fund from the cigarette tax avails (R.S. 47:841(B)(3)). Proposed constitutional amendment repeals present constitution.

Present constitution restricts use of monies from the Health Excellence Fund to certain enumerated purposes, including initiatives to ensure the optimal development of La.'s children through the provision of appropriate health care and initiatives to benefit the citizens of La. with respect to health care. Proposed constitutional amendment retains present constitution.

#### (b) Education Excellence Fund

Present constitution requires the treasurer to credit to the Education Excellence Fund 1/3 of all investment earnings on the investment of monies in the trust.

Present constitution limits appropriations from the Education Excellence Fund to an annual amount not to exceed the estimated aggregate annual earnings from interest, dividends, and realized capital gains on investment of the trust allocated as provided in present constitution. Limits appropriation to those aggregate investment earnings which are in excess of an inflation factor as determined by the Revenue Estimating Conference. Limits the amount of realized capital gains on investment which may be included in the aggregate earnings available for appropriation from exceeding the aggregate of earnings from interest and dividends for that year.

Present constitution restricts use of monies from the Education Excellence Fund to certain enumerated purposes, including to the La. Educational Television Authority and certain special schools, for independent public schools approved by BESE, and for distribution to each city, parish, and other local school system on a pro rata basis based on a prescribed student population ratio. Further restricts expenditures to be for pre-kindergarten through twelfth grade instructional enhancement for students. Specifically prohibits expenditures for maintenance or renovation of buildings, capital improvements, and increases in employee

salaries. Requires each recipient entity to annually prepare and submit to the state Dept. of Education a plan for expenditure of Education Excellence funds. Prohibits amounts appropriated pursuant to present constitution from displacing, replacing, or supplanting appropriations from the general fund for elementary and secondary education, including implementing the Minimum Foundation Program. Requires the treasurer to maintain a record of the amounts appropriated that remain in the state treasury. Any such amounts, and investment earnings attributable to such amounts shall remain to the credit of each recipient entity at the close of each fiscal year.

Proposed constitutional amendment repeals present constitution.

#### (c) TOPS Fund

Present constitution requires the treasurer to credit to the TOPS Fund 100% of the settlement agreement proceeds deposited into the Millennium Trust. Proposed constitutional amendment retains present constitution. Present constitution further allocates 1/3 of all investment earnings on the investment of trust monies to the TOPS Fund. Proposed constitutional amendment repeals present constitution and instead provides that additional deposits may be made as provided by law. Present constitution requires the treasurer to report annually to the legislature as to the amount of investment earnings credited to the TOPS Fund. Proposed constitutional amendment repeals present constitution.

Present constitution limits appropriations from the TOPS Fund the amount of annual settlement agreement proceeds credited to the fund and an annual amount not to exceed the estimated aggregate annual earnings from interest, dividends, and realized capital gains on investment of the trust. Further limits appropriation to those aggregate investment earnings which are in excess of an inflation factor as determined by the Revenue Estimating Conference. Proposed constitutional amendment repeals present constitution.

Present constitution restricts use of monies from the TOPS Fund to the support of state programs for financial assistance for students attending La. institutions of postsecondary education. Proposed constitutional amendment retains present constitution.

#### **LOUISIANA FUND**

Present constitution (Art. VII, §10.9) establishes the Louisiana Fund in the state treasury. Requires deposit into the fund of all remaining monies received as a result of the settlement agreement after deposits into the Millennium Trust as provided in present constitution. Requires monies in the fund to be invested by the treasurer in the same manner as the state general fund monies and all interest income on the investment of such monies be credited to the fund. Requires unexpended and unencumbered monies in the fund at the end of the fiscal year to remain in the fund.

Present constitution restricts appropriations from the Louisiana Fund to certain enumerated purposes, including initiatives to ensure the optimal development of La.'s children through enhancement of educational opportunities and the provision of appropriate health care and direct healthcare services for tobacco-related illnesses. Further requires each appropriation from the Louisiana Fund to include performance expectations to ensure accountability in the expenditure of such monies.

Proposed constitutional amendment repeals present constitution.

#### **ARTIFICIAL REEF DEVELOPMENT FUND**

Present constitution (Art. VII, §10.11) establishes the Artificial Reef Development Fund in the treasury. Requires deposit into the fund grants, donations, and other forms of assistance from private and public sources that are provided to the state for the purpose of siting, designing, constructing, permitting, monitoring, and otherwise managing an artificial reef system. Requires the treasurer to invest monies in the fund in the manner provided by law. Provides that all unexpended and unencumbered monies in the fund at the end of the fiscal year remain in the fund. Further requires deposit into the fund of interest earned on

investment of monies in the fund. Requires the treasurer to submit a written report to the department on a quarterly basis showing the amount of money contained in the fund from all sources. Restricts use of monies in the fund to the Dept. of Wildlife and Fisheries, or its successor, for certain enumerated purposes, including salaries of personnel assigned to the Artificial Reef Development Program, creating and managing an artificial reef system, and inshore fisheries habitat enhancement projects.

Proposed constitutional amendment repeals present constitution; however, proposed constitutional amendment additionally designates this fund as a program fund in Art. VII, §19, so it may continue in statute as a special class of protected fund.

#### **CERTAIN SUPPORT AND ASSISTANCE PROGRAMS**

Present constitution (Art. VII, §10.12) authorizes the legislature to provide by law for programs to assist La. farmers and fishermen with support and expansion of their industries. Proposed constitutional amendment repeals present constitution.

#### **HOSPITAL STABILIZATION FORMULA AND FUND**

Present constitution (Art. VII, §10.13) authorizes the legislature to annually adopt a Hospital Stabilization Formula by concurrent resolution and majority vote of the members of each house. Provides for legislative hearings on such resolution and requires the formula, to the maximum extent possible, to enhance the economic viability of La. hospitals and reduce shifting the cost of caring for La.'s needy residents to the state's insured residents.

Present constitution provides requirements and exclusions for the formula. Further provides for termination of any assessment under the formula in certain circumstances.

Present constitution requires the legislature to appropriate an amount necessary to fund the base reimbursement level for hospitals established in the most recent formula, which appropriation may not be from the Hospital Stabilization Fund. Further requires the legislature to appropriate the balance of the Hospital Stabilization Fund solely to fund the reimbursement enhancements as provided in the most recent formula adopted by the legislature. Prohibits the governor and the legislature from reducing any such appropriation except in certain circumstances.

Present constitution establishes the Hospital Stabilization Fund in the state treasury. Requires deposit into the fund of proceeds from the assessment collected pursuant to the Hospital Stabilization Formula. Requires monies in the fund to be invested in the same manner as monies in the state general fund and all interest earned on investment of fund monies to be credited to the fund. Restricts appropriation from the fund to funding the reimbursement enhancements established in the Hospital Stabilization Formula adopted by the legislature for the fiscal year in which the assessment is collected.

Proposed constitutional amendment redesignates present constitution as Art. VII, §21 and otherwise retains present constitution.

#### **LOUISIANA MEDICAL ASSISTANCE TRUST FUND**

Present constitution (Art. VII, §10.14) establishes the Louisiana Medical Assistance Trust Fund within the treasury. Requires the treasurer to deposit into the fund all proceeds from the fees collected by law relative to the fund. Provides for investment of fund monies in the same manner as state general fund monies and for deposit of all interest earned on investment of fund monies. Requires all unexpended and unencumbered monies in the fund at the end of the fiscal year to remain in the fund.

Present constitution authorizes the treasurer to establish a separate account within the fund for each health care provider group in which fees are collected. Requires monies collected from each such group, and the interest earned on those monies, to be deposited into the account created for that provider group. Further requires any monies deposited in the fund

from sources not required by law, and any interest earned on such monies, to be deposited into a separate account within the fund known as "the general account".

Present constitution only authorizes appropriation from the fund if the appropriation is eligible for federal financial participation pursuant to federal law (Title XIX of the Social Security Act). Requires the balance of each account to be appropriated for reimbursement services to the provider group which paid the fee; however, monies deposited into the general account may be appropriated for any Medicaid Program expenditure.

Further provides that monies appropriated from the provider accounts cannot be used to displace, replace, or supplant appropriations from the state general fund for the Medicaid Program below the amount of state general fund appropriations to the Medicaid Program for Fiscal Year 2013-2014.

Present constitution requires the legislature to appropriate funds necessary to provide for Medicaid Program rates for each provider group which pays fees into the fund. Sets a minimum for such appropriations and authorizes annual adjustment in accordance with certain criteria. Prohibits reduction of such appropriation in the event of a deficit unless certain criteria are met.

Proposed constitutional amendment redesignates present constitution as Art. VII, §22 and otherwise retains present constitution.

### **REVENUE STABILIZATION TRUST FUND**

Present constitution (Art. VII, §10.15) establishes the Revenue Stabilization Trust Fund in the treasury. Requires deposit into the fund of certain mineral revenues as required by present constitution (Art. VII, §10.16) and revenues in excess of \$600 M received each fiscal year from corporate franchise and income taxes. Requires investment by the treasurer of fund monies in a manner provided by law. Further requires deposit into the state general fund of all interest or other income from investment of Revenue Stabilization Trust Fund monies. With certain exceptions, authorizes appropriation from the fund only if the balance of the fund at the beginning of the fiscal year is in excess of \$5 B (minimum fund balance) and then such appropriation is capped at 10% (allowable percentage) of the fund balance. If appropriation is authorized by these circumstances, present constitution limits the appropriation to capital outlay projects in the comprehensive state capital budget and transportation infrastructure. Present constitution authorizes the legislature to change the minimum fund balance or the allowable percentage by a law enacted by 2/3 of the legislature.

Present constitution further provides that in order to ensure the money in the fund is available for appropriation in an emergency, the legislature may authorize an appropriation from the fund at any time for any purpose only after the consent of 2/3 of the members of each house. Provides that the 2/3 consent may be satisfied upon obtaining written consent in a manner provided by law.

Proposed constitutional amendment repeals present constitution.

### **MINERAL REVENUES**

Present constitution (Art. VII, §10.16) establishes allocation of revenues received by the state each year as a result of the production of or exploration for minerals. Requires deposits into various trusts and funds and distributions to political subdivisions pursuant to present law and constitution. After all such required deposits and distributions, requires 30% of such remaining revenues in excess of \$660 M and less than \$950 M to be allocated to the La. State Employees' Retirement System and the Teachers' Retirement System of La. for application to the balance of the unfunded accrued liability of such system existing as of June 30, 1988. Requires the remainder of such monies to be deposited into the Revenue Stabilization Trust Fund.

Present constitution further requires any mineral revenues that would have been deposited into the Budget Stabilization Fund but for the present constitution cap on the fund balance

are to be distributed as follows: 30% to the La. State Employees' Retirement System and the Teachers' Retirement System of La. for application to the balance of the unfunded accrued liability of such system existing as of June 30, 1988, and the remainder to be deposited into the Revenue Stabilization Trust Fund.

Present constitution defines "mineral revenues" for the purposes of present constitution to include severance taxes, royalty payments, bonus payments, or rentals, with the following exceptions:

- (1) Revenues designated as nonrecurring pursuant to present constitution (Art. VII, §10).
- (2) Revenues received by the state as a result of grants or donations when the terms or conditions thereof require otherwise.
- (3) Revenues derived from any tax on the transportation of minerals.

Proposed constitutional amendment repeals present constitution.

### **CONSERVATION FUND**

Present constitution (Art. VII, §10-A) establishes the Conservation Fund within the treasury. Requires deposit of the following into the fund:

- (1) All revenue from the types and classes of fees, licenses, permits, royalties, or other revenue paid into the Conservation Fund as provided by law when the fund was created and any increase in the amount charged for such fees, licenses, permits, royalties and other revenue after the effective date of the fund. Authorizes the legislature to enact a law specifically appropriating or dedicating such revenue to another purpose or fund.
- (2) The balance of the pre-existing Conservation Fund on June 30, 1988.
- (3) All funds or revenues that may be donated expressly to the Conservation Fund.

Present constitution requires all monies in the fund to be appropriated to the Dept. of Wildlife and Fisheries or its successor. Restricts use to the programs and purposes of conservation, protection, preservation, management, and replenishment of the state's natural resources and wildlife. Requires all unexpended and unencumbered monies in the fund at the end of the fiscal year to remain in the fund. Requires investment of fund monies by the treasurer in the manner provided by law and deposit of all interest earned on investment of fund monies be deposited into the fund. Requires the treasurer to prepare and submit to the department on a quarterly basis a printed report showing the amount of money contained in the fund from all sources.

Proposed constitutional amendment redesignates present constitution as Art. VII, §23, makes technical and conforming changes, and otherwise retains present constitution.

### **BUDGETS**

Present constitution (Art. VII, §11) establishes requirements for operating and capital outlay budgets. Requires the governor to submit to the legislature a budget estimate for the next fiscal year setting forth all proposed expenditures. Required to include recommended appropriations from the state general fund and dedicated funds and cannot exceed the official forecast and expenditure limit for the fiscal year. Must comply with present constitution requirements (Art. VII, §10 in present constitution, Art. VII, §14 in proposed constitutional amendment) including use of nonrecurring monies and funding state supplemental pay. Proposed constitutional amendment redesignates present constitution as Art. VII, §24 and requires the executive budget to comply with the provisions of the Government Growth Limit. Makes conforming changes and otherwise retains present constitution.

- (a) Operating Budget

Present constitution requires the governor to cause to be submitted a general appropriation bill for proposed ordinary operating expenditures which shall be in conformity with the recommendations for appropriations contained in the budget estimate. Authorizes the governor to submit one or more bills to raise additional revenues with proposals for the use of these revenues. Proposed constitutional amendment retains present constitution.

#### (b) Capital Budget

Present constitution requires the governor to submit to the legislature at each regular session a proposed five-year capital outlay program and request for implementation of the first year of the program. Requires each capital improvement project to be evaluated as provided by law prior to its inclusion in the legislature's adopted comprehensive capital budget. Requires the legislature to provide by law for such evaluation procedures, standards, and criteria. Prohibits change to these procedures except by a separate legislative instrument approved by a favorable vote of 2/3 of the elected members of the legislature. Provides requirements for projects that are not eligible for funding through the state's Transportation Trust Fund. Provides that capital outlay projects approved by the legislature shall be made a part of the comprehensive state capital budget, which the legislature is required to adopt. Proposed constitutional amendment makes technical and conforming changes and otherwise retains present constitution.

### **REPORTS AND RECORDS**

Present constitution (Art. VII, §12) requires reports and records of the collection, expenditure, investment, and use of state money and those relating to state obligations to be matters of public records. Provides exception for returns of taxpayers and matters pertaining to those returns. Proposed constitutional amendment redesignates present constitution as Art. VII, §25 and otherwise retains present constitution.

### **INVESTMENT OF STATE FUNDS**

Present constitution (Art. VII, §13) requires all money in the custody of the state treasurer which is available for investment to be invested as provided by law. Proposed constitutional amendment redesignates present constitution as Art. VII, §26 and otherwise retains present constitution.

### **LOAN, PLEDGE, OR DONATION OF PUBLIC THINGS OF VALUE**

Except as otherwise provided in present constitution, present constitution (Art. VII, §14) prohibits the funds, credit, property, or things of value of the state or any political subdivision from being loaned, pledged, or donated to or for any person, association, or corporation, public or private. Further prohibits the state and any political subdivision thereof from purchasing the stock of a corporation or association or for any private enterprise unless authorized by present constitution. Proposed constitutional amendment redesignates present constitution as Art. VII, §27 and otherwise retains present constitution.

Present constitution contains certain enumerated exceptions to the prohibition on the loan, pledge, or donation of public things of value. Proposed constitutional amendment makes technical changes and otherwise retains present constitution.

Present constitution provides that, for a public purpose, the state and its political subdivisions or political corporations may engage in cooperative endeavors with each other, the United States or its agencies, or with any public or private association, corporation, or individual. Proposed constitutional amendment retains present constitution.

Present constitution exempts public funds, credit, property, or things of value loaned, pledged, dedicated, or granted by prior state law or authorized to be loaned, pledged, dedicated, or granted by prior laws and constitution from the prohibition contained in present constitution for the full term as provided by any contract. Authorizes revocation by the



legislature in certain circumstances prior to the vesting of any contractual rights. Proposed constitutional amendment retains present constitution.

Present constitution authorizes the donation or exchange of movable surplus property between or among political subdivisions whose functions include public safety. Proposed constitutional amendment retains present constitution.

### **RELEASE OF OBLIGATIONS**

Present constitution (Art. VII, §15) prohibits the legislature from releasing, extinguishing, or authorizing the release or extinguishment of any indebtedness, liability, or obligation of a corporation or individual to the state, a parish, or a municipality. Authorizes the legislature to provide by law for a system under which claims by the state or a political subdivision may be compromised. Further authorizes the legislature to provide for the release of heirs to confiscated property from taxes due at the date of its reversion to them. Proposed constitutional amendment redesignates present constitution as Art. VII, §28; makes technical changes; and otherwise retains present constitution.

### **PRESCRIPTION OF TAXES**

Present constitution (Art. VII, §16) establishes a three-year prescriptive period for taxes, except real property taxes, and for licenses. The period runs three years after the 31st day of December in the year in which the taxes are due. Authorizes the legislature to provide by law for interruption of such prescription. Proposed constitutional amendment redesignates present constitution as Art. VII, §29; makes technical changes; and otherwise retains present constitution.

### **LEGISLATION TO OBTAIN FEDERAL AID**

Present constitution (Art. VII, §17) authorizes the legislature to enact laws to enable the state, its agencies, boards, commissions, and political subdivisions and their agencies to comply with federal laws and regulations in order to secure federal participation in funding capital improvement projects. Proposed constitutional amendment redesignates present constitution as Art. VII, §30 and otherwise retains present constitution.

### **TEACHER PAY RAISE**

Proposed constitutional amendment (Art. VII, §31) requires the treasurer to transfer to the Teachers' Retirement System of La. the balance of each of the following funds on the effective date of proposed constitutional amendment:

- (1) The Education Excellence Fund.
- (2) The Louisiana Education Quality Trust Fund.
- (3) The Louisiana Quality Education Support Fund.

Proposed constitutional amendment requires the Teachers' Retirement System of La. to apply such monies to its oldest debt. Provides that if such monies are insufficient to fully liquidate a debt schedule, the system shall reamortize the remaining debt for that schedule with annual level-dollar payments over the remainder of the original amortization period.

Proposed constitutional amendment further requires employers participating in the Teacher's Retirement System of La. to provide a permanent salary increase to eligible personnel, as provided by law. Requires the increase to be funded using the employer's net savings attributable to the payments to debt made pursuant to proposed constitutional amendment.

### **AD VALOREM TAXES**

Present constitution (Art. VII, §18) requires property subject to ad valorem taxation to be listed on the assessment rolls at its assessed valuation, which shall be a percentage of its fair market value. Requires the percentage of fair market value to be uniform throughout the state upon the same class of property. Present constitution additionally provides three exceptions for the listing of property on the assessment rolls as a percentage of fair market value. Two of these exceptions are:

- (1) Bona fide agricultural, horticultural, marsh, and timber lands, as defined by law, and buildings of historic architectural importance, which are to be assessed at 10% of their use value rather than fair market value. (Art. VII, §18(C))
- (2) For the phase-in of reappraisal values. (Art. VII, §18(F))

Proposed constitutional amendment redesignates present constitution as Art. VII, §32 and otherwise retains present constitution.

The third exception in present constitution to the listing of property on the assessment rolls as a percentage of fair market value is property that qualifies for a special assessment level pursuant to present constitution (Art. VII, §18(G)). Proposed constitutional amendment excepts property that qualifies for a special assessment level as provided by law.

Present constitution establishes classifications of property subject to ad valorem taxation and the percentage of fair market value applicable to each classification for the purpose of determining assessed valuation as follows:

- (1) Land = 10%.
- (2) Improvements for residential purposes = 10%.
- (3) Electric cooperative properties, excluding land = 15%.
- (4) Public service properties, excluding land = 25%.
- (5) Other property = 15%.

Proposed constitutional amendment adds a classification for public service properties, excluding land, owned by a rail road company with a tax rate of 15% of fair market value. Proposed constitutional amendment adds a classification for business inventory with a tax rate of 15% of fair market value.

Proposed constitutional amendment allows a parish governing authority to elect to reduce the percentage of fair market value applicable to business inventory and authorizes the legislature by law to implement the reduction. Proposed constitutional amendment provides that once the legislature has implemented a law providing for the reduction, the law may only be changed by a 2/3 vote of the legislature.

Present constitution requires each assessor to determine the fair market value of all property subject to taxation within his respective parish or district except public service properties which the La. Tax Commission is required to value. Requires each assessor to determine the use value of property that is to be assessed pursuant to such methodology (bona fide agricultural, marsh, and timber lands, etc.) pursuant to present constitution (Art. VII, §18(C)). Requires fair market value and use value to be determined in accordance with criteria established by law which shall apply uniformly throughout the state. Proposed constitutional amendment retains present constitution.

Present constitution provides that assessments are subject to review and provides for the order of review by specific entities. Requires the legislature to establish procedures for such review by law. Proposed constitutional amendment retains present constitution.

Present constitution requires all property subject to taxation to be reappraised and valued in accordance with present constitution at intervals of not more than four years. Provides for

the phase-in of reassessed value in certain circumstances. Proposed constitutional amendment makes conforming changes and otherwise retains present constitution.

Present constitution provides for special assessment levels for certain persons, including but not limited to persons who are 65 years of age or older and persons who are permanently totally disabled. Provides requirements and restrictions for receiving such special assessment level and for the term of such special assessment level. Provides for reassessment of the property when certain conditions are met. Proposed constitutional amendment repeals present constitution.

## STATE PROPERTY TAXATION

Present constitution (Art. VII, §19) establishes a maximum rate for state tax on property for any purpose of 5.75 mills on the dollar of assess valuation. Proposed constitutional amendment redesignates present constitution as Art. VII, §33 and otherwise retains present constitution.

## HOMESTEAD EXEMPTION

### (a) Homeowners

Present constitution (Art. VII, §20) defines a bona fide homestead for the purposes of present constitution and exempts the first \$7,500 of assessed value of such homesteads from ad valorem taxation. Proposed constitutional amendment redesignates present constitution as Art. VII, §34 and otherwise retains present constitution. Present constitution applies the homestead exemption even if the land is classified and assessed at use value pursuant to present constitution. Proposed constitutional amendment applies the exemption even if the land is classified and assessed at use value as provided by law.

Present constitution authorizes the homestead exemption to apply to surviving spouses, former spouses, property owned by a trust, property subject to usufruct, and to trusts in certain circumstances if certain conditions are met. Proposed constitutional amendment retains present constitution.

Present constitution prohibits application of the homestead exemption on bond for deed property, with certain exceptions. Prohibits extension or application of more than one homestead exemption to any person. Prohibits extension of the exemption to municipal taxes except: (a) in Orleans Parish to certain taxes; and (b) to any municipal taxes levied for school purposes. Proposed constitutional amendment retains present constitution.

Present constitution provides for application of the homestead exemption to property damaged or destroyed during a disaster or emergency if certain conditions are met. Proposed constitutional amendment retains present constitution.

### (b) Residential Leases

Present constitution authorizes the legislature to provide for tax relief to residential lessees in the form of credits or rebates in order to provide equitable tax relief similar to that granted to homeowners through homestead exemptions. Proposed constitutional amendment retains present constitution.

## OTHER AD VALOREM TAX EXEMPTIONS

Present constitution (Art. VII, §21) exempts certain property from ad valorem taxation. Present constitution contains an exclusive list of such property, including but not limited to: public lands, property leased to certain nonprofit corporations or associations for use solely as housing for homeless persons, the legal reserve of domestic life insurance companies, boats using gasoline as motor fuel, artwork listed as a consignment article by an art dealer, and certain additional portions of assessed homestead value for persons meeting certain criteria. Proposed constitutional amendment repeals present constitution and authorizes the

legislature, by law enacted by 3/4 of the members of each house, to exempt property from ad valorem taxation. Further requires enactment by 2/3 of the members of the legislature for any change to an ad valorem tax exemption once enacted. Further prohibits enactment of a measure regarding ad valorem tax exemptions, exclusions, deductions, or credits in an even-numbered year. Redesignates present constitution as Art. VII, §35.

Proposed constitutional amendment provides an ad valorem tax exemption for property owned by a nonprofit operated exclusively for religious purposes as:

- (1) A house of worship.
- (2) Residential housing for clergy, priests, or nuns.
- (3) A seminary or other educational institution training individuals for religious ministry.

#### **PROHIBITIONS ON CERTAIN MANDATES**

Proposed constitutional amendment (Art. VII, §36) prohibits the legislature from enacting any law mandating a taxing authority to exempt business inventory from ad valorem tax. Defines "business inventor" for the purposes of proposed constitutional amendment as the aggregate of those items of tangible personal property that are held for sale in the ordinary course of business, are currently in the process of production for subsequent sale, or are to physically become a part of the production of such goods.

#### **BUSINESS INVENTORY EXEMPTION PAYMENT**

Proposed constitutional amendment (Art. VII, §37) authorizes a one-time payment to each parish that elects to exempt, in accordance with law, business inventory from ad valorem tax. Provides that such payment shall be made from the Revenue Stabilization Trust Fund. Requires the payment to be disbursed to the tax collector of the parish and requires the tax collector to then distribute the monies pro rata to each taxing authority that levies an ad valorem tax within the parish. Provides that the amount of the payment pursuant to proposed constitutional amendment shall be as provided by law and certified by the Dept. of Revenue. Further requires that, notwithstanding any provision of the constitution to the contrary, monies are to be disbursed by the treasurer to the collector within 30 days of receipt of a certification from the secretary of the Dept. of Revenue that the parish has irrevocably elected to exempt business inventory from ad valorem tax.

#### **NO IMPAIRMENT**

Present constitution (Art. VII, §22) prohibits application of provisions of the constitution relative to ad valorem taxes and exemptions thereon (Part II of Art. VII of the constitution of La.) in a manner that would either:

- (1) Invalidate taxes authorized and imposed prior to the effective date of this constitution.
- (2) Impair the obligations, validity, or security of any bonds or other debt obligations authorized prior to the effective date of present constitution.

Proposed constitutional amendment redesignates present constitution as Art. VII, §38 and prohibits anything in the constitution or in law from being applied in a manner that would either:

- (1) Invalidate taxes authorized and imposed prior to the effective date of this constitution.
- (2) Impair the obligations, validity, or security of any bonds or other debt obligations authorized prior to the effective date of present constitution or any amendment to Art. VII.

## ADJUSTMENT OF AD VALOREM TAX MILLAGES

Present constitution (Art. VII, §23) authorizes adjustment to ad valorem tax millages in certain circumstances to counteract the impact of enactment of the homestead exemption and the uniform ad valorem tax on classes of property. Proposed constitutional amendment repeals present constitution.

## TAX ASSESSORS

Present constitution (Art. VII, §24) requires a tax assessor to be elected in each parish. Provides for a four-year term of office and for his election, duties, and compensation to be provided by law. Provides contingency for vacancy in the position of tax assessor. Further provides that in Orleans Parish, the assessor is to be elected at the same time as the municipal officers of New Orleans. Proposed constitutional amendment redesignates present constitution as Art. VII, §39 and otherwise retains present constitution.

## TAX SALES/ADMINISTRATION

(a) If the amendment to Art. VII, §25 is rejected by the electors of the state on December 7, 2024

Present constitution (Art. VII, §25) prohibits the forfeiture of property for nonpayment of taxes. Proposed constitutional amendment redesignates present constitution as Art. VII, §40 and retains present constitution.

Present constitution authorizes advertisement of the sale of the property by the collector without suit when the year in which taxes are due expires, after giving notice of delinquency to the taxpayer. Requires advertisement to be published in the official journal of the parish or municipality or as provided by law for sheriff's sales. Provides that property sold in a tax sale shall be redeemable for three years after the date of recordation of the tax sale, by paying the price given including costs, 5% penalty thereon, and interest at the rate of 1% per month until redemption.

Proposed constitutional amendment repeals present constitution and provides that the assessment of ad valorem taxes and other impositions on immovable property constitute a lien and privilege on the property assessed in favor of the political subdivision to which taxes and other impositions are owed. Further requires the legislature to provide by law for the efficient administration of tax sales which shall include at a minimum: imposition of interest not to exceed 1% per month on a non-compounding basis, imposition of penalty not to exceed 5% of the delinquent taxes and other impositions, a time period during which liens cannot be enforced, and a procedure for claiming excess proceeds from the sale of property as a result of the enforcement of a lien. Further authorizes the legislature, by law, to provide authority to the tax collector to waive penalties for good cause.

Present constitution sets for requirements for annulling a tax sale. Proposed constitutional amendment repeals present constitution.

Present constitution requires the manner of notice and form of proceeding to quiet tax title to be provided by law. Proposed constitutional amendment repeals present constitution.

Present constitution provides for sale of movables when taxes thereon are delinquent. Sets forth criteria for such sales. Authorizes the tax collector to levy on incorporeal rights if he cannot find corporeal movables of the delinquent to seize. Also authorizes the tax collector to compel the delinquent to deliver for sale property in his possession or under his control by summary rule. Proposed constitutional amendment retains present constitution.

Present constitution authorizes the legislature to postpone the payment of taxes, but only in cases of overflow, general conflagration, general crop destruction, or other public calamity. Proposed constitutional amendment repeals present constitution and authorizes postponement by the legislature only in cases of an emergency declared by the governor or

a parish president pursuant to the La. Homeland Security and Emergency Assistance and Disaster Act.

Present constitution authorizes the legislature to provide for the levying, assessing, and collecting of postponed taxes and authorizes the creation of a fund from which loans may be made through the Interim Emergency Board to the governing authority of the parish where the calamity occurred. Provides for initial funding of such a fund and restrictions on loans from the fund. Proposed constitutional amendment retains present constitution.

(b) If the amendment to Art. VII, §25 is approved by the electors of the state  
on December 7, 2024

Present constitution (Art. VII, §25) prohibits the forfeiture of property for nonpayment of taxes. Provides that the assessment of ad valorem taxes and other impositions on immovable property constitute a lien and privilege on the property assessed in favor of the political subdivision to which taxes and other impositions are owed. Further requires the legislature to provide by law for the efficient administration of tax sales which shall include at a minimum: imposition of interest not to exceed 1% per month on a non-compounding basis, imposition of penalty not to exceed 5% of the delinquent taxes and other impositions, a time period during which liens cannot be enforced, and a procedure for claiming excess proceeds from the sale of property as a result of the enforcement of a lien. Further authorizes the legislature, by law, to provide authority to the tax collector to waive penalties for good cause.

Present constitution provides for sale of movables when taxes thereon are delinquent. Sets forth criteria for such sales. Authorizes the tax collector to levy on incorporeal rights if he cannot find corporeal movables of the delinquent to seize. Also authorizes the tax collector to compel the delinquent to deliver for sale property in his possession or under his control by summary rule.

Present constitution authorizes the legislature to postpone the payment of taxes, but only in cases of an emergency declared by the governor or a parish president pursuant to the La. Homeland Security and Emergency Assistance and Disaster Act. Further authorizes the legislature to provide for the levying, assessing, and collecting of postponed taxes and authorizes the creation of a fund from which loans may be made through the Interim Emergency Board to the governing authority of the parish where the taxes are postponed. Provides for initial funding of such a fund and restrictions on loans from the fund.

Proposed constitutional amendment redesignates present constitution as Art. VII, §40 and otherwise retains present constitution.

## **REVENUE SHARING**

Present constitution (Art. VII, §26) provides for the annual distribution by law of \$90M to parishes based on population and number of homesteads in each parish in proportion to population and number of homesteads throughout the state. Requires the legislature to provide by law for a distribution formula and provides requirements for such formula. Provides for who shall receive such distribution on behalf of parishes and authorizes political subdivisions to pledge funds received pursuant to present constitution to the payment of bonds. Proposed constitutional amendment redesignates present constitution as Art. VII, §41 and otherwise retains present constitution.

## **UNCLAIMED PROPERTY**

Present constitution (Art. VII, §28) establishes the Unclaimed Property Permanent Trust Fund within the treasury. Provides for deposit, investment, and use of monies in the fund. Requires deposit of any realized capital gains, dividend income, and interest income earned on investment of trust monies into the state general fund. Requires annual reports to the legislature and the governor concerning the balance of the fund as of the close of the prior year and the state's potential liability to unclaimed property claimants as of the same date. Provides for access of trust fund assets if certain conditions are met. Provides that property received by the state pursuant to present law (Unclaimed Property Act of 1997) and

deposited into the fund is private property held in trust until a claim is made for it by the owner.

Proposed constitutional amendment redesignates present constitution as Art. VII, §42, makes technical changes, and otherwise retains present constitution.

### **MONIES HELD IN FUNDS TO BE REPEALED**

After the effective date of proposed constitutional amendment (instrument Section 8) deposits into the following funds are prohibited:

- (1) La. Education Quality Trust Fund.
- (2) La. Quality Education Support Fund.
- (3) Mineral Revenue Audit and Settlement Fund.
- (4) Education Excellence Fund.

Proposed constitutional amendment further directs the treasurer, until directed otherwise by law, to deposit monies that would have been deposited into such fund into the state general fund.

Proposed constitutional amendment (instrument Section 7) retains certain sums in the following accounts for satisfaction of monies held to the credit of certain entities and current year appropriations from such funds:

- (1) La. Education Quality Trust Fund.
- (2) La. Quality Education Support Fund.
- (3) Education Excellence Fund.

Further provides that, notwithstanding any provision of proposed constitutional amendment to the contrary, transfers from such funds to the Teachers' Retirement System of La. are net of such amounts.

Proposed constitutional amendment (instrument Sections 5 & 6) establish timelines and protocols for withdrawal of monies held in the Education Support Fund and the Education Excellence Fund. Authorize monies withdrawn from such funds pursuant to proposed constitutional amendment to be held in an escrow account at a fiscal agent bank, as defined by law, until expended.

### **LOCAL REVENUE FUND**

Proposed constitutional amendment creates the Local Revenue Fund as a special fund in the state treasury. Any deposited into the fund are deemed to belong to the local government subdivisions entitled to distribution. Distribution of monies in the fund shall not be subject to any separate appropriation requirements.

Proposed constitutional amendment authorizes the legislature to provide by law for dedication of taxes or other monies into the fund. Dedications enacted require a 2/3 vote of the legislature to change.

Proposed constitutional amendment authorizes the Uniform Local Sales Tax Board to enter into agreements with the state regarding collection of any taxes dedicated to the fund. The Uniform Local Sales Tax Board is also authorized to review, audit, or collect in coordination with local sales tax collectors concerning taxes levied for deposit into the fund.

Proposed constitutional amendment provides for distribution formula for monies in the fund to begin January 1, 2026, and to occur monthly.

### TECHNICAL AND CONFORMING CHANGES

Proposed constitutional amendment makes technical changes to present constitution and further makes conforming changes to align with changes proposed in proposed constitutional amendment.

### SUBMISSION TO VOTERS

Provides for submission of the proposed amendment to the voters at the statewide election to be held March 29, 2025.

(Amends Const. Art. VII, §1 - 28; Adds Const. Art. VII, §29 - 42)

### Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Ways and Means to the original bill:

1. Restrict deposit of mineral revenues into the Budget Stabilization Fund pursuant to proposed constitutional amendment to 15% of remaining mineral revenues after allocations and deposits required by constitution and law have been made.
2. Update Coastal Protection and Restoration Fund language in present constitution and proposed constitutional amendment to reflect ratification by the voters at the Nov. 5, 2024, election of changes to revenues eligible for deposit into the fund.
3. Delete provision requiring a specific legislative instrument adopted by 2/3 of the elected members of each house to change a dedication of interest and investment income from a permanent trust. Add provision requiring passage of a law by 2/3 of the elected members of each house to change any such dedication.
4. Add provision requiring restrictions on permanent trusts to apply to subfunds created within a permanent trust.
5. Add provision authorizing change to a fund's status as a permanent trust fund by a law enacted by the favorable vote of 2/3 of the elected members of each house of the legislature.
6. Delete provisions regarding restrictions on program funds and add the following requirements in lieu thereof:
  - (A) Requires a law enacted by 2/3 of the elected members of each house to create or designate a fund as a program fund or to change the designation of a fund as a program fund.
  - (B) Provides that appropriation of monies from a program fund shall only require a majority vote, unless the terms of the fund require otherwise.
7. Add provision restricting ability of legislature to dedicate tobacco settlement agreement proceeds by law to the Health Excellence Fund within the Millennium Trust.
8. Add Wildlife and Fisheries Conservation Fund to the constitution as Art. VII, §23.
9. Make technical and conforming changes.



The Committee Amendments Proposed by House Committee on Appropriations to the engrossed bill:

1. Delay implementation of the sales tax exemption on prescription drugs until July 1, 2025.
2. Remove conditional language regarding if the Dept. of Revenue becomes the central sales tax collector.
3. Add language regarding how monies collected by the state on behalf of another taxing authority are to be handled and establishes a 30-day time limit for remittal.
4. Remove general language regarding legislative limitations on severance allocations and replace with specific authorizations to increase or decrease the proportion of tax avails sent to locals and establish an annual maximum that may be remitted for any of the severance taxes.
5. Retain present constitution provisions regarding the expenditure limit.
6. Establish the Government Growth Limit and provide for calculation of such limit, exceptions to such limit, and authority to change such limit.
7. Require appropriations to conform to the Government Growth Limit.
8. Remove the designation of "permanent trust" from the Transportation Trust Fund.
9. Require airport appropriations from the Transportation Trust Fund to be calculated as provided by law.
10. Require executive budgets to conform to the expenditure limit and the Government Growth Limit.
11. Exclude public service land owned by a railroad from certain ad valorem taxation rates.
12. Prohibit enactment of legislation regarding ad valorem tax exemptions, exclusions, deductions, or credits in an even-numbered year.
13. Prohibit the legislature from mandating that a taxing authority exempt business inventory from ad valorem tax. Define business inventory for purposes of proposed constitutional amendment.
14. Prohibit deposits after the effective date of proposed constitutional amendment into funds being permanently repealed. Require the treasurer, unless or until directed otherwise by law, to deposit monies that would have been deposited into such funds into the state general fund.
15. Provide that transfers to the Teachers' Retirement System of La. pursuant to proposed constitutional amendment are net of amounts necessary to satisfy current year appropriations from certain funds and amounts necessary to transfer certain monies held to the credit of certain entities in the Education Excellence Fund and the La. Quality Education Support Fund.
16. Establish protocols for certification and transfer to owners of monies held in the Education Excellence Fund and the La. Quality Education Support Fund to the credit of certain entities.
17. Make technical and conforming changes.

The House Floor Amendments to the reengrossed bill:

1. Establish the Government Growth Limit for FY 2025-2026 and require calculation and submission of such limit by the commissioner of administration to the House Committee on Appropriations, the Senate Committee on Finance, the speaker of the House, and the president of the Senate as soon as practicable after the effective date of proposed constitutional amendment.
2. Make technical changes.

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Revenue and Fiscal Affairs to the re-reengrossed bill

1. Restores present constitution language related to the local sales tax treatment of pharmaceutical drugs.
2. Modifies language related to collection of taxes collected on behalf of a taxing authority and held in trust to clarify that it has no impact on the operations, funding, or authority of the Uniform Local Sales Tax Board.
3. Changes the maximum state individual income tax rate that may be assessed from 4 and 3/4% to 3 and 3/4%.
4. Provides for 1/2 severance tax distribution to local governments for taxes collected on severance of brine not produced as an incident to the production of oil and gas.
5. Requires the legislature to establish a fee on carbon dioxide injected in underground formations for geologic sequestration purposes.
6. Removes provisions that growth limit does not apply to the appropriation of funds from the Budget Stabilization Fund incorporated into the official forecast for the current fiscal year.
8. Removes dedication of 15% of corporation income and franchise tax revenues and excess mineral revenues to the Budget Stabilization Fund beginning in FY 2025-2026.
9. Allows a parish governing authority to elect to reduce the percentage of fair market value applicable to business inventory property. Requires a 2/3 vote of the legislature for the implementation of the election and for any changes thereto.
10. Establishes the Local Revenue Fund and provides for the deposit, dedication, and distribution of monies in the fund. Further provides for oversight by the Uniform Local Sales Tax Board.
11. Provides for the allocation of severance tax to parishes for the remainder of FY 2024-2025.
12. Makes technical changes.