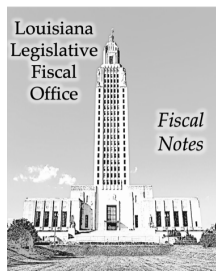


**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



Fiscal Note On: **HB 12** HLS 243ES 17
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action: **W/ SEN FLOOR AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: November 22, 2024 12:58 PM **Author:** DESHOTEL
Dept./Agy.: Statewide **Analyst:** Patrice Thomas
Subject: Statutory Companion for Constitutional Amend Revising Art 7

FUNDS/FUNDING REF DECREASE GF RV See Note Page 1 of 2
 Relative to finances of the state (Items #16 and 21)

Proposed law creates certain funds as special funds in the treasury: (1) Oilfield Site Restoration Fund; (2) LA Wildlife and Fisheries Conservation Fund (Conservation Fund); and (3) Local Revenue Fund. Proposed law amends certain special funds: (1) Oil Spill Contingency Fund, (2) Budget Stabilization Fund, (3) Millennium Trust; (4) Louisiana Fund; (5) LA Unclaimed Property Permanent Trust Fund; (6) Revenue Stabilization Trust Fund; (7) Coastal Protection and Restoration Fund, and (8) Transportation Trust Fund (Construction Subfund and the Megaprojects Leverage Fund). Proposed law makes technical changes to certain special funds: (1) Coastal Protection and Restoration Fund; and (2) Artificial Reef Development Fund. Proposed law repeals certain special funds: (1) Mineral Revenue Audit and Settlement Fund; stops revenue allocations, appropriates, then repeals fund within the Millennium Trust on 6/30/25 - (2) Education Excellence Fund, (3) LA Education Quality Trust Fund, (4) LA Quality Education Support Fund; and (5) some provisions of the Oilfield Site Restoration Fund. Proposed law establishes requirements for the State Bond Commission regarding the issuance of debt and provides a timeline and mechanism for contesting the validity of bonds. Upon the adoption of the constitutional amendment (HB 7), proposed law provides effective dates and review, study, and recommendations by the LA State Law Institute.

| EXPENDITURES | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 5 -YEAR TOTAL |
|---------------------|------------|------------------|------------------|------------------|------------------|---------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$0 | DECREASE | DECREASE | DECREASE | DECREASE | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | \$0 | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | \$0 |
| Annual Total | \$0 | | | | | \$0 |

| REVENUES | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 5 -YEAR TOTAL |
|---------------------|------------------|------------------------|------------------------|------------------|------------------|------------------------|
| State Gen. Fd. | SEE BELOW | \$280,000,000 | \$280,000,000 | SEE BELOW | SEE BELOW | \$560,000,000 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$0 | (\$280,000,000) | (\$280,000,000) | \$0 | \$0 | (\$560,000,000) |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | \$0 | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | \$0 |
| Annual Total | | | | | | |

EXPENDITURE EXPLANATION
 Proposed law creates, amends, makes technical changes, and repeals certain special funds (statutory dedications) in the state treasury.


Newly Created - The newly created statutory dedications, the Oilfield Site Restoration Fund and the LA Wildlife and Fisheries Conservation Fund (Conservation Fund), are removed from the LA Constitution, Article VII in the companion constitutional amendment bill (HB 7); therefore, these funds are placed in statute under this measure. There is no anticipated direct material effect on governmental expenditures as a result of placing these funds in statute. **Continued on Page 2**

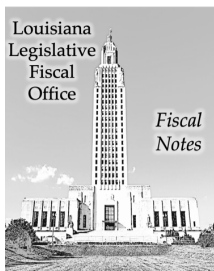
REVENUE EXPLANATION
 In FY 26 and FY 27, the proposed law temporarily redirects \$280 M yearly from the Transportation Trust Fund (Construction Subfund and the Megaprojects Leverage Fund) into SGF.

The proposed law repeals and amends certain trust funds resulting in the loss of investment and interest earnings that will no longer be available for future appropriation. The proposed law dissolves the following trust funds - the Louisiana Education Quality Trust Fund (Permanent Fund), the Louisiana Quality Education Support Fund (Support Fund), and the Education Excellence Fund (EEF) will result in a loss of investment and interest earnings. For informational purposes, the beginning FY 25 balances in the three funds contained within the Millennium Fund were as follows: LEQTF - \$1.45 B; Support Fund - \$36.2 M; and EEF - \$482 M, totaling \$1.96 B. The combined revenue generated from investments and royalties for these three funds in FY 24 was approximately \$68 M. The proposed law amends the RSTF to the newly created Revenue Stabilization Fund and removes all sources of revenue into the fund. The LFO estimates potential reductions in recurring SGF from interest and investment earnings of approximately \$22.5 M in FY 25, \$54 M in FY 26, \$84 M in FY 27, \$93 M in FY 28, and \$102 M in FY 29. These amounts are noted here but reflected in the revenue table of the proposed constitutional amendment bill, HB 7.

Proposed law reduces revenue to local public schools and charter schools as a result of repealing the Education Excellence Fund (EEF). One-third (1/3) of investment income from the Millennium Trust is appropriated annually in the EEF. Of this, 85% goes to public and charter schools based on the student count in the most recent MFP Budget Letter and 15% goes to approved non-public schools based on the previous year's student counts. Schools use these funds, once approved by LDOE, for elementary and secondary education expenses but cannot be used on maintenance, capital improvements, or salaries. For FY 25, approximately \$12 M was appropriated from the EEF.

Proposed law increases revenue to parishes distributed from the newly created Local Revenue Fund, which will receive a dedication of an additional sales tax revenue. Monies in the fund shall be distributed to parishes to offset losses attributable to business inventory exemptions granted by said parishes. The proposed statutory companion bill, HB 10, levies an additional 5% state sales tax levied upon all telecommunications services, cable television services, direct-to-home satellite services, video programming services, and satellite digital audio radio services. Avails from this tax will be deposited into the Local Revenue Fund for distribution to parishes as contemplated in HB 10. The dedicated revenue contemplated in HB 10 is noted here but reflected in the revenue tables of HB 10.

| | | | |
|-------------------------------------------------------------------------------|----------------------------|--------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |  |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H} | | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} | Alan M. Boxberger Legislative Fiscal Officer |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H} | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} | |



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CONTINUED EXPLANATION from page one:

Newly Created - Local Revenue Fund - Proposed law creates the Local Revenue Fund, a special treasury fund. The fund will serve solely as a pass-through to distribute avails from an additional 5% state sales tax on all telecommunications services, cable television services, direct-to-home satellite services, video programming services, and satellite digital audio radio services. The purpose of the fund is to offset the losses attributable to business inventory exemptions to the ad valorem tax granted by said parishes.

Amended - Under the proposed law, amendments to the Oil Spill Contingency Fund, Millennium Trust, Louisiana Fund, Unclaimed Property Permanent Trust Fund, and the Coastal Protection and Restoration Fund are not anticipated to have a direct material effect on governmental expenditures. These amendments are being made in anticipation of HB 7 of the 3rd ES being enacted.

Amended - Budget Stabilization Fund (BSF) - Beginning in FY 26, the proposed law removes the deposit of mineral revenues in excess of \$750 M from the BSF. The calculation of the BSF deposit cap is increased in the proposed law from 4% of the prior year's total state revenue receipts to 7.5% of revenue receipts. The scenarios and conditions for which the BSF may be utilized (current year deficit, ensuing year deficit, and disaster response) are not changed in the proposed measure.

Note: The current balance in the Budget Stabilization Fund is \$1.06 B. Treasury has not yet certified its calculation of total state revenue receipts for FY 24 to calculate the FY 25 deposit cap; however for illustrative purposes, based on the FY 24 maximum calculated at 7.5% of receipts, the cap would be estimated at \$2.82 B compared to the existing cap of \$1.50 B.

Amended - Revenue Stabilization Trust Fund (RSTF) - Proposed law changes the name of the RSTF to the "Revenue Stabilization Fund" and provides for authorized uses. The proposed law removes all sources of revenue into the RSTF, including certain excess mineral revenues and the excess corporate income and franchise tax collections over \$600 M, and removes authorization for the treasury to invest monies in the fund and to transfer proceeds into the SGF.

For informational purposes, effective upon the enactment of HB 7, the proposed law authorizes the treasurer to transfer monies out of the RSTF into the BSF in an amount equal to that needed amount to bring the balance of the BSF to its deposit limiting cap. The transfer amount is estimated at \$1.76 B. The current balance in the RSTF as of 10/15/2024 is \$2.77 B. After the transfer is completed, the new estimated balance would be approximately \$1 B.

Amended - Transportation Trust Fund (TTF) - For FY 26 and FY 27, the proposed law keeps the transfer of \$40 M to the Calcasieu River Bridge and I-10 Improvements Account (same as current law) and removes the transfer of \$120 M (\$40 M each) to the other subaccounts of the Megaprojects Leverage Fund (Mississippi River Bridge at Baton Rouge and Connections Account, I-49 South Leverage Fund Account, and I-49 North Leverage Fund Account) and approximately \$160 M for highway and bridge preservation projects. This increases SGF by \$280 M in FY 26 and FY 27. In FY 28, the proposed law resumes the transfer of 60% of avails to the Construction Subfund and the Megaprojects Leverage Fund in current law.

Appropriated and Repealed Education Trust Funds - Proposed law provides for appropriations from the LA Quality Education Trust Fund (Permanent Fund), the LA Education Quality Support Fund (Support Fund), and the Education Excellence Fund (EEF) before repealing these funds effective 6/30/25. The proposed constitutional amendment (HB 7) directs the Treasury to transfer the remaining balances in these funds to TRSL for payment of the system's unfunded accrued liability (UAL).

Repealing these funds is anticipated to significantly impact expenditures within the Board of Elementary and Secondary Education (BESE), the LA Department of Education (LDOE), local school districts, and the Board of Regents (BOR). The BESE budget is primarily comprised of appropriations received from the Permanent Fund via the Support Fund. Of the annual deposit made into the Support Fund, 50% is directed to BESE and 50% to the BOR to spend as they see fit, according to law.

In FY 25, of BESE's total \$21.9 M budget, \$20.5 M is derived from Statutory Dedications out of the Support Fund. As reported by BESE, 96% of Support Fund dollars are "flow-through" funds split evenly between the Student Enhancement Block Grant Program and the Statewide Grant Program. Combined, Support Fund dollars are used to provide funding to 69 parish school districts, approximately 70 nonpublic schools and school systems, and 142 education programs statewide. The remaining 4% of the Support Fund allocation to BESE is retained by the agency for administrative costs related to the management of Support Fund programs. BESE reports the elimination of the Support Fund as a recurring revenue source would result in the need for an estimated \$313,420 in other funding, presumed to be SGF.

Local education agencies, both public and nonpublic, receive EEF dollars via flow-through from LDOE. These entities can anticipate a total annual reduction of \$11.5 M as a result of the proposed law. Impacts on school initiatives are expected. Specific impacts will vary by Local Education Authority; however, it should be noted that each EEF recipient has a separate fund within the state treasury where annual EEF deposits are made. Any unspent monies are carried forward and are available for use in future fiscal years. As of 10/15/24, approximately \$23.7 M in funding is held across all accounts, though totals vary by system.


This will result in a direct decrease in Statutory Dedication expenditures for the BOR and any associated activities unless these sources are replaced with an alternative means of finance. Annually the BOR is appropriated funds from the Support Fund originating from revenue generated by the LEQTF, which is used for initiatives across state postsecondary education. Support Fund money is to be used for four purposes: (1) endowment of chairs, (2) recruitment of graduate students, (3) specific research efforts, and (4) enhancement of the quality of units within an institution. In FY 25, \$20.1 M was appropriated to the BOR from the Support Fund, which is allocated and applied through a plan approved by the Board.

Repealing the EEF is not anticipated to materially impact expenditures within the Fiscal and Investments Divisions of the Treasury. Currently, Treasury invests the nine funds in separate invested portfolios, but only has budget authority from five of these fund portfolios - the Medicaid Trust Fund for the Elderly, the Permanent Fund, the Millennium Trust (Health Excellence Fund, Education Excellence Fund, and TOPS Fund), Unclaimed Property Permanent Trust Fund, and the Mega Projects Leverage Fund. Treasury reports the repeal of the EEF will eliminate funding for the Fiscal and Investment Divisions. However, it is anticipated that the loss may be absorbed by funds from the Health Excellence Fund and the TOPS Fund.

Repealed - Repealing the Mineral Revenue Audit and Settlement Fund and some provisions of the Oilfield Site Restoration Fund is not anticipated to have a direct material effect on governmental expenditures.

Senate
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}


Alan M. Boxberger
Legislative Fiscal Officer