

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 221** SLS 15RS 110

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: June 10, 2015 8:15 AM	Author: ADLEY
Dept./Agy.: Department of Transportation and Development	Analyst: Alan M. Boxberger
Subject: Provide for dedication and use of deposits of certain funds	

FUNDS/FUNDING EN -\$4,400,000 GF RV See Note Page 1 of 2
 Provides for the dedications and uses on the deposit of the first one hundred million dollars derived from certain general fund revenues attributable to an increase in the base amount of mineral revenues received by the state as certified by the Present law provides for dedication and deposit of the avails of certain sales and use tax monies into the Transportation Trust Fund (TTF) beginning 7/1/08; provides for the use of such monies; provides for a phased implementation of the avails in increasing percentages between FY08 and FY15; provides for the allocation of the proceeds as 93% to the TTF and 7% to the Transportation Mobility Fund; provides that if a deficit for any current fiscal year is projected due to a decrease in the official forecast, the treasurer shall reduce the deposits required until such time as the official forecast equals or exceeds that in effect prior to the projected deficit.

Proposed law provides that beginning in FY18 and each year thereafter, the treasurer must deposit from the avails of certain sales and use taxes, an amount equal to the increase in general fund revenues certified by the Revenue Estimating Conference as attributable to the provisions of SB122 of the 2015 session, in an amount not to exceed \$100M and allocated as per expenditure explanation below; revises deposit of certain sales and use tax monies into the TTF, repeals provision regarding deficits; repeals statutory provisions relative to the Transportation Mobility Fund, effective upon enactment of SB 122 of the 2015 Regular Session.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	(\$4,400,000)	(\$7,200,000)	(\$9,300,000)	(\$20,900,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$4,400,000	\$7,200,000	\$9,300,000	\$20,900,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

The Department of Revenue (LDR) will incur costs for computer system modification and testing, tax form redesign, and taxpayer inquiries. These costs are typically small for individual tax law changes such as this (several thousands of dollars) and are typically absorbed within existing resources until cumulative changes necessitate additional resources be provided.

Proposed law provides for an allocation of the annual avails of certain sales and use taxes in an amount equal to the general fund revenues certified by the Revenue Estimating Conference as being attributable to the provisions in the Act that originates as Senate Bill 122 of the 2015 Regular Session, requiring the first \$70M of the total avails to be deposited into the TTF for state highway pavement and bridge sustainability projects in accordance with DOTD definitions of such projects. 93% of the avails remaining after the first \$70M carve-out are to be sub-allocated as: 30% into the highway priority program for capacity projects, 25% for port construction and development priority program projects, and 45% for state highway pavement and bridge sustainability projects in accordance with DOTD definitions of such projects. The final 7% of the remaining avails after the first \$70M carve-out shall be deposited into the Louisiana State Transportation Infrastructure Fund as originated in House Bill 767 of the 2015 Regular Session. If HB 767 fails to pass, that portion shall be used for port construction and priority program projects.

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REVENUE EXPLANATION

Proposed law would result in an anticipated increase of \$4.4M to the specified purposes of this bill in FY18, \$7.2M in FY19 and \$9.3M in FY20 (based on the May 2015 official revenue forecast).

Currently, mineral revenue received by the state (severance tax, royalty receipts, bonus payments, and rental payments) is first allocated to parish severance and royalty distributions, as provided by Art VII §4(D) and (E). Then the next \$850 million flows to the state general fund. Excess amounts are subject to deposit into the Budget Stabilization Fund, up to the annually calculated maximum allowed balance of the Fund. However, until July 1, 2017, any excess amounts are flowing to the SGF pursuant to RS 39:94(C)(4)(b). Thus, for FY16 and FY17, SB 122 has no effect since all mineral revenue is flowing to the SGF anyway (other than what is constitutionally distributed back to the parishes). For FY18 and beyond, the higher base amount provided by Senate Bill 122 assures a greater amount of mineral revenue for the SGF rather than the Budget Stabilization Fund as under current law, should mineral revenue in excess of the base amount and parish distributions be received. This bill (SB 221) recognizes that potential SGF gain and directs an equal amount of certain sales and use taxes to the TTF and State Transportation Infrastructure Bank. That re-direction is depicted in the expenditure explanation above.

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|--|----------------------------|-------|--|
| Senate | <u>Dual Referral Rules</u> | House | <input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S} |
| <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} |

Evan Brasseaux
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Staff Director

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CONTINUED EXPLANATION from page one:
EXPENDITURE EXPLANATION CONTINUED

Proposed law eliminates the Transportation Mobility Fund.

Proposed law stipulates that none of the monies deposited into the Transportation Trust Fund in accordance with this measure shall be appropriated to the Office of State Police.

Summarized Flow of Funds:

First \$70M to state highway pavement and bridge sustainability

93% of remaining balance sub-allocated as (30% capacity projects, 25% port priority, and 45% state highway pavement and bridge sustainability)

7% of the remaining balance deposited into the state infrastructure bank as per HB 767 of 2015, or if in the event HB 767 fails to pass this portion shall be allocated to the port priority program.

REVENUE EXPLANATION CONTINUED

Based on the May 2015 official revenue forecasts, there is no expected excess mineral revenue for FY16 and FY17. In FY18, FY19, and FY20 there is \$4.4 million, \$7.2 million, and \$9.3 million of excess mineral revenue expected, respectively. Senate Bill 122 bill does affect those years because in the absence of that bill, those entire amounts would be subject to deposit into the Budget Stabilization Fund. Senate Bill 122 would retain up to \$100 million of those excess amounts for the SGF rather than the Budget Stabilization Fund. Proposed law stipulates that an amount of certain sales and use and inventory tax equal to the excess made available to the SGF be deposited as per the narrative included in the expenditure explanation above (first \$70M into the TTF for specified purposes, 93% of the remaining funds into the TTF for specified purposes, and 7% of the remaining funds into the State Transportation Infrastructure Bank as originated in House Bill 767 of the 2015 Regular Session).

Vehicle Sales Tax

Proposed law would repeal provisions for the phase in of depositing certain taxes into the Transportation Trust Fund as per present law. Proposed law will eliminate this dedication of funds and preclude revenues estimated at \$489.4M from being reclassified for deposit into the Transportation Trust Fund and Transportation Mobility Fund beginning around FY 20 or 21 (see explanation below) and those funds will be retained as SGF revenues.

Vehicle Sales Tax: Act 11 of the 2008 2nd Extraordinary Session provided that taxable sale, use, lease or rental, the distribution, the consumption and the storage for use or consumption of motor vehicles would begin to accrue to the TTF (93% of avails) and Transportation Mobility Fund (7%) and be phased in over a 7-year period. A total of 10% was to be transferred to the in FY 09. Due to the total SGF revenue projections decreasing for FY 09 and as provided by Act 11, these funds were not available to the TTF and will not be available in subsequent fiscal years until "... such time as the official forecast of the Revenue Estimating Conference equals or exceeds the official forecast in effect prior to the projected deficit, at which time the reduction shall cease." The SGF revenue forecast for FY 09 as of 5/9/2008 was \$9.7 B. The latest adopted revenue forecast projections predict the SGF collections: FY 15 - \$8.5 B; FY 16 - \$8.6 B; FY 17 - \$8.8 B; FY 18 - \$9.1 B; and FY 19 - \$9.2 B.

Senate Dual Referral Rules House 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux

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