Louisiana Legislative Fiscal Office Fiscal Notes

LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 221** SLS 15RS 110
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 13, 2015 3:56 PM **Author:** ADLEY
Dept./Agy.: Department of Transportation and Development
Subject: Provide for dedication and use of deposits of certain funds **Analyst:** Alan M. Boxberger

FUNDS/FUNDING EG -$76,800,000 GF RV See Note

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 FY17 and each year thereafter, in the event that an increase in general fund revenue certified by the Revenue Estimating Conference is attributable to the provisions of SB122 of the 2015 session, the treasurer shall deposit the first $100M to be dedicated as provided in proposed law (see expenditure section below); repeals 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	($76,800,000)	($100,000,000)	($100,000,000)	**($276,800,000)**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$76,800,000	$100,000,000	$100,000,000	**$276,800,000**
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 tax payer 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 general fund revenues certifed by the Revenue Estimating Conference as being attributable to an increase in the base amount of mineral revenues received by the state as provided 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, 7% for port construction and development priority program projects, and 63% 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 State Transportation Infrastructure bank as originated in House Bill 618 of the 2015 Regular Session. Proposed law eliminates statutory provisions with regard to deposits into the Transportation Mobility Fund.

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REVENUE EXPLANATION

Proposed law would result in an anticipated increase of $76.8M to the Transportation Trust Fund for the specified purposes of this bill in FY18 and $100M to those purposes in FYs 19 and 20 (based on the January 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) captures that potential SGF gain and redirects it to the TTF. That re-direction is depicted above.

Based on the January 2015 official revenue forecasts, there is no expected excess mineral revenue for FY16. For FY17 there is $44 million of excess expected. Since these receipts will flow to the SGF anyway, raising the base amount does not

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Senate	Dual Referral Rules	House
[x] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		[x] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
[ ] 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}		[ ] 6.8(F)(2) >= $500,000 Rev. Red. to State {H & S}
		[ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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CONTINUED EXPLANATION from page one:

EXPENDITURE EXPLANATION CONTINUED

Summarized Flow of Funds:
First $70M to state highway pavement and bridge sustainability
93% of remaining balance sub-allocated as (30% capacity projects, 7% port priority, and 63% state highway pavement and bridge)
7% of the remaining balance deposited into the state infrastructure bank (HB767 of 2015)

REVENUE EXPLANATION CONTINUED

have an effect in FY17. In FY18, FY19, and FY20 there is $76.8 million, $131.6 million, and $168 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 $100 million of those excess amounts for the SGF rather than the Budget Stabilization Fund. Proposed law would stipulate that the $100 million instead be made available 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 618 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 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 - $8.4 B; FY 16 - $8.5 B; FY 17 - $8.8 B; FY 18 - $8.9 B; and FY 19 - $9.6 B.

Senate | Dual Referral Rules | House

[x] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}

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

[x] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}

[ ] 6.8(F)(2) >= $500,000 Rev. Red. to State {H & S}

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