

**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



Fiscal Note On: **HB 678** HLS 25RS 1128
 Bill Text Version: **RE-REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.: **HB 472**

Date: May 7, 2025 5:43 PM **Author:** EMERSON
Dept./Agy.: Treasury **Analyst:** Deborah Vivien
Subject: Repeals Revenue Stabilization/Increases max of Rainy Day

FUNDS/FUNDING RR INCREASE GF RV See Note Page 1 of 2
 (Constitutional Amendment) Revises Article VII of the Constitution of La.

Current constitution deposits proceeds of corporate income (and trailing franchise) tax in excess of \$600 M to the Revenue Stabilization Trust Fund (RSTF); deposits 70% of mineral revenue in excess of \$660 M (after certain deductions) to the RSTF with 30% dedicated to UAL payments; provides for a maximum balance of the Budget Stabilization Fund (BSF) of 4% of total state receipts less disaster payments; and deposits net mineral revenue over \$950 M, 25% of non-recurring revenue, funds over expenditure limit, recoupment of disaster funds, and any appropriations to the fund.

Proposed constitutional amendment along with companion bill HB 683, renames the RSTF in statute as the Revenue Stabilization Fund (RSF) repealing constitutionality, removes recurring deposits to RSF after FY 27 (except 40% UAL, which ends in FY 27) and authorizes use of RSF if corporate income tax falls below \$800 M or for a one-time payment to locals for irrevocable elimination of inventory tax (contingent upon HB 366). Proposed amendment increases the maximum balance of the BSF to 7.5% of total state receipts less disaster payments and fills the fund from the RSF balance upon voter approval of the amendment. Proposed amendment deposits the unused balance of the RSF to the SGF as non-recurring revenue on 7/1/29 (FY 30). Effective upon voter approval on November 3, 2026.

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	SEE BELOW	SEE BELOW	SEE BELOW	\$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

REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$53,000,000	\$107,000,000	\$107,000,000	\$267,000,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	(\$53,000,000)	(\$107,000,000)	(\$107,000,000)	(\$267,000,000)
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

Treasury may incur minimal expenses related to administrative requirements. LFO believes that the department can absorb this amount within its current budget but may require additional resources if the aggregate impact of all bills enacted during this session is substantive.

REVENUE EXPLANATION

The bill is anticipated to make about \$53-\$107 M per year available as recurring SGF with a like reduction to statutory dedications, which is almost exclusively dependent upon collections of corporate income and franchise tax, normally highly volatile revenue streams. From the 12/19/24 official forecast, recurring SGF would increase (and statutory dedications would decrease) by \$53 M in FY 28, and \$107 M in FY 29 and FY 30 due solely to projections that place corporate income tax above \$600 M (no mineral revenue). With the franchise tax repealed and the corporate rate changed to a flat 5.5% with multiple base increases, this estimate is highly speculative and reflects a precautionary approach until the observance of actual collections.

The estimated RSF balance available at the end of FY 27 is \$4.1 B assuming no spending. It is estimated that \$1.7B will be needed to fill the Budget Stabilization Fund to 7.5% of state receipts less disaster payments, leaving \$2.4 B available for budgetary relief or local payments.

These calculations are explained below and are in table form on page 2.

**Repeal of the REVENUE STABILIZATION TRUST FUND (RSTF)
Recurring Revenue**

The Revenue Stabilization Trust Fund is repealed from the Constitution, directing deposits and the fund balance to the RSF in statute beginning in FY 27 upon voter approval. Under the bill, on a recurring basis beginning in FY 28, the SGF will receive corporate income and any trailing franchise tax collected in excess of \$600 M as well as 100% of mineral revenue between \$660 M-\$950 M, net of certain protected dedications. The SGF will also receive any mineral revenue available because the Budget Stabilization Fund has reached its maximum. From the 12/19/24 official forecast, recurring SGF would increase (and statutory dedications would decrease) by \$53 M in FY 28, and \$107 M in FY 29 and FY 30 due solely to projections that place corporate income tax above \$600 M (no mineral revenue).

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| <p><u>Senate</u></p> <p><input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}</p> <p><input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}</p> | <p><u>House</u></p> <p><input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}</p> <p><input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}</p> |
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**CONTINUED EXPLANATION from page one:
REVENUE EXPLANATION (Continued from Page 1)**

Fund Balance (Non-recurring Revenue)

The RSF balance transfer is forecast to be about \$2.4 B in FY 30 per the official forecast (assuming no spending from the fund). In FY 30, upon REC recognition of the \$2.4 B RSF balance as non-recurring SGF, 25% or \$599 M would be used to pay down UAL liabilities, leaving about \$1.8 B as non-recurring SGF (assuming BSF remains full), limited constitutionally to non-recurring uses, including debt payments, UAL liabilities, capital outlay, BSF deposit, Coastal Protection and Restoration Fund deposit or federal highway match. SGF would continue to receive the interest income from these dollars until either spent or deposited to a fund that retains the interest.

BUDGET STABILIZATION TRUST FUND (BSF)

The bill increases the BSF maximum balance from 4% of the prior year's total state revenue receipts less disaster payments to 7.5% of total state receipts less disaster payments but provides no new mandatory deposits to the BSF. In FY 28 and beyond, the bill retains the current allowable deposits but redirects any mineral revenue to the SGF. Since mineral revenue does not reach the BSF threshold in the current forecast, this provision has no impact within the fiscal note horizon. Certain dedications of mineral revenue remain such as local mineral revenue allocations, Conservation Fund, and Coastal Protection and Restoration Fund (fixed at \$25M + an annual CPI adjustment which is an increase) are retained. Thresholds related to accessing the BSF are retained. Interest continues to remain in the fund.

The balance of the Budget Stabilization Fund is currently about \$1,069.2 M with an expected deposit of \$148.8 M from the FY 24 surplus and an additional \$3 M estimated in interest remaining in current year for an expected ending year balance of \$1,221.0 M. In FY 26, minimum deposits include \$25 M and an estimated \$15 M in interest, or about \$40 M, for an anticipated FY 27 balance of \$1,261.0 M. With the use of the balance of the RSF in FY 27, the BSF would receive \$1.7 B, for a FYE 27 expected balance of \$2.92 B. Total state receipts less disaster payments in FY 24 were \$38.9 B, which, if they remain flat until FY 27 (unlikely), would allow for a maximum balance of 7.5% or \$2.9 B in the bill.

(\$ Millions)

REVENUE STABILIZATION FUND

Corporate Income and Franchise Tax > \$600M
 (assumed to be recognized as recurring SGF)

FY 26	119.0
FY 27	84.0
FY 28	53.0
FY 29	107.0
(not official forecast) FY 30	107.0

Fund Balance
 (FY 30 non-recurring SGF)

FY 25 Beginning Balance	3,447.2
FY 25 Estimated Deposit	405.0
FY 27 Estimated Ending Balance	4,055.2
Needed to fill BSF	-1,659.9
Available to spend or FY30 SGF	2,395.3
25% to UAL	598.8
To SGF for non-recurring uses	1,796.5

BUDGET STABILIZATION FUND

FY 25 YTD Balance	1,069.2
FY24 25% Surplus Deposit	148.8
<u>FY25 Remaining Interest Estimate</u>	<u>3.0</u>
FY26 Beginning Balance Estimate	1,221.0
FY 26 Minimum Deposit	25.0
<u>FY26 Interest Estimate</u>	<u>15.0</u>
FY27 Beginning Balance Estimate	1,261.0
Deposit from RSF balance	1,659.9
FY27 Minimum Deposit	0.0
<u>FY27 Interest Estimate</u>	<u>0.0</u>
FY27 Year End Estimated BSF Balance	2,920.9

Maximum Balance Ballpark

FY24 Total State Receipts less Disaster Payments	38,945.2
Proposed Law BSF Maximum Balance (7.5%)	2,920.9

Senate Dual Referral Rules

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}

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