LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 478** HLS 18RS 519
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 4, 2018 2:51 PM **Author:** BACALA
Dept./Agy.: DOTD
Subject: Dedicates state sales and use taxes on motor vehicles **Analyst:** Alan M. Boxberger

FUNDS/FUNDING OR -$97,300,000 GF RV See Note

Dedicates a portion of the state sales and use taxes on sales of motor vehicles for transportation projects based on a cost-benefit analysis

Present law provides for the deposit of the amount of certain mineral revenues received by the state into the Transportation Trust Fund, but provides that the avails of such deposits shall be taken from the state sales and use tax on motor vehicles. Proposed law retains the dedication of mineral revenues but deletes reference to the avails of the sales and use tax on motor vehicles.

Proposed law creates the Highway Capacity Fund and dedicates a portion of the avails of the state sales and use tax on motor vehicles in 20% increments beginning in FY 21, dedicating the full 100% beginning in FY 25 and thereafter. Proposed law provides for certain uses and prohibitions for monies in the Highway Capacity Fund. Proposed law requires DOTD to develop guidelines and formulas for cost-benefit analysis to be integrated into the Highway Priority Program by July 1, 2020.

EXPENDITURES	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**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	$45,000	$732,500	$307,500	$307,500	$307,500	**$1,700,000**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$45,000**	**$732,500**				**$777,500**

REVENUES	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	$0	($97,300,000)	($201,800,000)	($308,800,000)	**($607,900,000)**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$97,300,000	$201,800,000	$308,800,000	**$607,900,000**
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

DOTD Operating Budget Impact

Proposed law will result in a material expenditure increase for the Department of Transportation and Development to create a cost-benefit methodology to assess eligibility of highway projects and to create guidelines for the implementation of the eligibility analysis. The guidelines are required to be updated once in every four-year period. DOTD reports that it will require specialized software and a minimum of one full-time staff person dedicated to the assessment provisions of proposed law, with first year costs of approximately $45,000, second year of $732,500, and recurring annual costs of $307,500 thereafter (assumed to be paid from the Transportation Trust Fund). The LFO is unable to corroborate the necessity for an additional T.O. position. To the extent existing staff associated with development of the highway priority program could potentially absorb any additional workload or be trained in cost-benefit analysis, the necessity of the additional position and associated personal services expenditures may be mitigated.

SEE EXPENDITURE EXPLANATION CONTINUED ON PAGE 2

REVENUE EXPLANATION

Proposed law would divert deposits of state sales taxes on the sale, use, lease or rental of motor vehicles from the SGF beginning in FY 21 into the newly created Highway Capacity Fund (HCF). The transition shall follow a phased schedule: 20% of collections in FY 21, 40% of collections in FY 22, 60% of collections in FY 23, 80% of collections in FY 24 and 100% of collections beginning in FY 25 and thereafter.

The impact by fiscal year is estimated as follows:

	% of Total Collections	SGF	HCF
FY 21*	20%	($97.3M)	$97.3 M
FY 22*	40%	($201.8 M)	$201.8 M
FY 23*	60%	($308.8 M)	$308.8 M
FY 24*	80%	($420.0 M)	$420.0 M
FY 25*	100%	($535.5 M)	$535.5 M

SEE REVENUE EXPLANATION CONTINUED ON PAGE 2

Senate Dual Referral Rules

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

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

House

[x] 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}

Evan Brasseaux

Evan Brasseaux
Staff Director

CONTINUED EXPLANATION from page one:

EXPENDITURE EXPLANATION CONTINUED FROM PAGE ONE

FY 20 One-Time Expenditures: $425,000
Cost-Benefit Analysis Software: $350,000
Initial software implementation and training for project managers and staff: $75,000

Recurring Annual Expenditures: $307,500
One T.O. (salaries and related benefits): $45,000 (FY 19 and thereafter)
Annual software licensing fee (minimum three-year term required): $262,500 (FY 20 and thereafter)

DOTD will be required to develop cost-benefit analysis guidelines and formulas, as well as identify potential projects, during FY 19. During FY 20, DOTD will be required to submit the guidelines, formulas and list of proposed projects to the Joint Highway Priority Construction Committee. During FY 21, DOTD will be required to begin letting projects based on the approved list. The formulas and guidelines shall be reviewed, revised and approved by the Joint Highway Priority Construction Committee once every four years.

Proposed law restricts monies in the Highway Capacity Fund from being used for general operating costs of DOTD and the Office of State Police.

DOTD Capital Outlay Budget Impact

Proposed law restricts expenditures from the newly created Highway Capacity Fund to be appropriated and expended as follows:

1) Not less than 25% nor more than 50% dedicated to projects with a total cost of $200 M or more.
2) Not less than 25% nor more than 50% dedicated to projects with a total cost of less than $200 M.
3) Not less than 25% nor more than 50% shall be dedicated to safety projects.
4) Not more than 10% shall be dedicated to economic development projects.

Public Safety Services Operating Budget Impact

Public Safety Services reports it will incur nominal, one-time SGF expenditures in the range of $5,500 for database programming changes.

Louisiana Department of the Treasury Operating Budget Impact

Proposed law creates a new statutory dedication, the Highway Capacity Fund. Creating a new statutory dedication within the state treasury will result in a marginal additional workload for the Treasury, which can generally be absorbed with existing resources. However, to the extent other legislative instruments create new statutory dedications, there may be material additional costs associated with the aggregate effort to administer these funds and at some threshold the agency may require additional staff resources and incur additional SGF expenditures.

REVENUE EXPLANATION CONTINUED FROM PAGE ONE

*For illustrative purposes, in this fiscal note the LFO assumes a 2% increase in vehicle sales tax collections in FY 23 over current the current REC forecast for FY 22 and an additional 2% growth each in FYs 24 and 25. Also for illustrative purposes, the LFO assumes a 2% annual increase in general sales tax collections on the rental and lease of motor vehicles over FY 17 actual collections. Therefore, the figures reported above are illustrative and should not be interpreted as based on an official revenue forecast.

Proposed law severs an existing statutory association relative to certain prospective deposits into the Transportation Trust Fund (TTF) according to the provisions of Act 257 of the 2015 Regular Session of the Louisiana Legislature. Act 257 provided that an amount equal to an increase in general fund revenues attributable to certain increased mineral revenues above $850 M (not to exceed $100 M) shall be deposited into the TTF for certain purposes. While the amount deposited into the TTF was attributed to the total mineral revenue collections in excess of $850 M, the actual transfer of funds were directed to be attributed to the general sales and use tax on motor vehicles on a dollar for dollar basis up to a maximum of $100 M under the provisions of Act 257. While both of these identified sources are currently transferred into the SGF, severing the connection between mineral revenues and motor vehicles could potentially result in an additional SGF impact in a future fiscal year should total mineral revenues exceed $850 M again. This eventuality is not realized in the current revenue forecasting horizon, but mineral revenue collections between $850-$950 M in a future fiscal year could result in an additional diversion of monies out of the SGF up to $100 M beyond the phased transfer of motor vehicle sales and use tax collections.

For informational purposes, total Severance, royalties, rentals and bonus mineral revenue collections recognized by the REC:

FY 21: $565 M
FY 22: $562.2 M

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(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux

Evan Brasseaux
Staff Director