

SENATE CONCURRENT RESOLUTION NO. 101

BY SENATOR DONAHUE

A CONCURRENT RESOLUTION

To present a budget plan that reflects the reduction of Louisiana's sales taxes, includes the impact of federal tax policy, and provides funding based on the existing operating budget and includes priority programs.

WHEREAS, the official forecast for Fiscal Year 2017-2018 incorporates the collections of an entire fifth penny in sales and use tax which, when combined with other sources of revenue collections, support the Fiscal Year 2017-2018 state budget enacted by the Legislature of Louisiana after three sessions of deliberations, and which budget currently includes funds for the scholarships for the Taylor Opportunity Program for Students, as well as the delivery of services by the Louisiana Department of Health, and funding for the medical schools and the public-private partnerships, all in accordance with Act 3 of the Second Extraordinary Session of 2017, the general appropriations act for Fiscal Year 2017-2018; and

WHEREAS, House Bill No. 1 of the 2018 Regular Session, the general appropriation bill for Fiscal Year 2018-2019, does not contain full funding for eligibility categories for the disabled and elderly under the Medicaid program, medical education, supplemental Medicaid payments to the public-private partnership hospitals, the Taylor Opportunity Program for Students scholarships, local housing of state prisoners, the district attorneys and the assistant district attorneys, higher education base funding, and GO Grants; and

WHEREAS, the governor of Louisiana, in accordance with the Constitution of Louisiana presented a Fiscal Year 2018-2019 executive budget allocating only those revenues contained in the then current official forecast of the Revenue Estimating Conference which totaled \$8.6 billion; and

WHEREAS, the existing operating budget of Fiscal Year 2017-2018 at the time the governor presented the executive budget, less carryforwards, was \$9.44 billion, which was \$841 million greater than the official forecast for Fiscal Year 2018-2019 at the time; and

WHEREAS, if the Louisiana Department of Health is not funded at an amount which exceeds that recommended in the executive budget, many, if not all, of the public-private partnerships have indicated that they will terminate their agreements with the state, which will eliminate their responsibility to make lease payments to the state which will result in a loss of state revenues and economic activity and cause fiscal instability; and

WHEREAS, since the time the Executive Budget was submitted to the legislature, the Revenue Estimating Conference increased the official forecast by \$346 million as a result of changes in federal tax policies, thereby reducing the shortfall from the Fiscal Year 2017-2018 existing operating budget, exceeding carryforwards, to \$495 million; and

WHEREAS, during the Extraordinary and Regular Sessions conducted in calendar years 2017 and 2018, the members from both the House of Representatives and the Senate introduced a number of bills designed to bring long-term solutions to chronic challenges in the state's budget and tax policies, including tax reform proposals to make permanent reductions to tax credits, exemptions, exclusions, and rebates, to broadening and unifying the state's sales and use tax bases, and proposals relative to the state sales and use tax rate, and budget reform proposals to re-base the expenditure limit, transparency in state expenditures, and proposals to grant the legislative auditor greater access to certain information to enhance the audit of state programs; and

WHEREAS, the House of Representatives and Senate shall continue to work towards long-term budget and tax reform efforts.

THEREFORE, BE IT RESOLVED that the Legislature of Louisiana can consider reducing the current collection of five pennies of sales and use tax by the state to four and one-half cents, or some portion thereof, which would reduce the tax burden on the citizens of the state and yet maintain a portion of the sales tax by generating approximately \$402 million of the original \$806 million, and further closing the gap between the estimated Fiscal Year 2018-2019 revenues and expenditures.

BE IT FURTHER RESOLVED by the Legislature of Louisiana that it shall continue to work together with the governor to identify additional expenditure reductions in the budget where possible and revenue reduction options:

| Revenue Source          | Current Tax Paid | Savings from Tax Reduction |
|-------------------------|------------------|----------------------------|
| 5 <sup>th</sup> Penny   | \$ 904 Million   |                            |
| Reduce Penny Tax by 3/4 |                  | \$ 678 Million             |
| Reduce Penny Tax by 1/2 |                  | \$ 452 Million             |
| Reduce Penny Tax by 1/4 |                  | \$ 226 Million             |

BE IT FURTHER RESOLVED that the Legislature of Louisiana may consider sales and use tax exemptions and exclusions, currently provided by law, as follows:

**Penny Cleaning-Existing Levies 4% Rate**

|  |   |
|--|---|
| Retain limited exemptions and exclusions on R.S. 47:302 2% sales tax levy (HB 25 2018 1 <sup>st</sup> ES)<br>*MM&E is currently exempt from this levy<br>*Nonresidential utilities are taxable under this levy | \$149 Million/year                            |
| Existing limited exemptions and exclusions on the R.S. 47:321 1% sales tax levy<br>*MM&E is currently taxable under the levy<br>*Nonresidential utilities are exempt   | \$29 Million/year                             |
| Existing limited exemptions and exclusions on the R.S. 47:331 1% sales tax levy<br>*MM&E is currently exempt from this levy<br>*Nonresidential utilities are exempt after nine months of FY 2019               | \$12 Million in FY19<br>\$49 Million in FY 20 |

BE IT FURTHER RESOLVED that the Legislature of Louisiana may consider reductions to Incentive Expenditures to provide additional savings as follows:

| <b>Maintain Standstill Incentive Expenditure<br/>Budget</b> | <b>Limitation<br/>on Program<br/>Based on FY<br/>2018</b> | <b>Savings to<br/>further<br/>replace<br/>remaining<br/>portion of<br/>the 5<sup>th</sup> Penny</b> |
|---|---|---|
| Atchafalaya Trace Heritage Area Development Zone            |   |   |
| Cane River Heritage Tax Credit                              |   |   |
| Tax Credit for Rehabilitation of Historic Structures        | \$61,587,240  | \$16,412,760  |
| Brownfields Investor Tax Credit                             | \$31,583  | \$8,417   |
| Louisiana Community Economic Development Act                |   |   |
| Port of Louisiana Tax Credits                               |   |   |
| Motion Picture Investor Tax Credit                          | \$142,124,400   | \$37,875,600  |
| Research and Development Tax Credit                         | \$6,316,640   | \$1,683,360   |
| Digital Interactive Media and Software Act                  | \$23,687,400  | \$6,312,600   |
| Louisiana Motion Picture Incentive Act                      |   |   |
| New Markets Tax Credit                                      | \$789,580   | \$210,420   |
| University Research and Development Parks                   |   |   |
| Industrial Tax Equalization Program                         | \$3,158,320   | \$841,680   |
| Exemptions for Manufacturing Establishments                 |   |   |
| Louisiana Enterprise Zone Act                               | \$31,583,200  | \$8,416,800   |
| Sound Recording Investor Tax Credit                         | \$157,916   | \$42,084  |
| Urban Revitalization Tax Incentive Program                  |   |   |
| Technology Commercialization Credit and Jobs<br>Program     | \$78,958  | \$21,042  |
| Angel Investor Tax Credit Program                           | \$1,579,160   | \$420,840   |
| Musical and Theatrical Productions Income Tax<br>Credit     | \$6,158,724   | \$1,641,276   |
| Retention and Modernization Act                             | \$3,947,900   | \$1,052,100   |
| Tax Credit for Green Jobs Industries                        |   |   |
| Louisiana Quality Jobs Program Act                          | \$78,958,000  | \$21,042,000  |
| Corporate Headquarters Relocation Program                   |   |   |
| Competitive Projects Payroll Incentive Program              | \$315,832   | \$84,168  |
| Louisiana Capital Companies Tax Credit Program              |   |   |
| Procurement Processing Company Rebate Program               | \$9,080,170   | \$2,419,830   |

|   |                      |                      |
|---|----------------------|----------------------|
| Rebates for Donations to School Tuition Organizations | \$5,684,976          | \$1,515,024          |
| <b>TOTAL</b>  | <b>\$375,240,000</b> | <b>\$100,000,000</b> |

BE IT FURTHER RESOLVED that the Legislature of Louisiana shall endeavor to allocate all revenue adjustments recognized since January 1, 2018, in a manner that ensures stability to the citizens of the state by funding for eligibility categories for the disabled and elderly under the Medicaid program, medical education, supplemental Medicaid payments to the public-private partnership hospitals, the Taylor Opportunity Program for Students scholarships, local housing of state prisoners, the district attorneys and the assistant district attorneys, higher education base funding, and GO Grants.

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PRESIDENT OF THE SENATE

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SPEAKER OF THE HOUSE OF REPRESENTATIVES