

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 12** HLS 243ES 17

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: November 10, 2024 7:53 PM	Author: DESHOTEL
Dept./Agy.: Statewide	Analyst: Patrice Thomas
Subject: Statutory Companion for Constitutional Amend Revising Art 7	

FUNDS/FUNDING OR DECREASE GF RV See Note Page 1 of 2
Relative to finances of the state (Items #16 and 21)

Proposed law creates certain funds as special funds in the treasury: (1) Oilfield Site Restoration Fund; and (2) LA Wildlife and Fisheries Conservation Fund (Conservation Fund). In the companion constitutional amendment bill (HB 7), these funds are removed from the LA Constitution, Article VII and placed in statute. Proposed law amends certain special funds: (1) Oil Spill Contingency Fund, (2) Budget Stabilization Fund, (3) Millennium Trust; (4) Louisiana Fund; (5) LA Unclaimed Property Permanent Trust Fund; and (6) Revenue Stabilization Trust Fund. Proposed law makes technical changes to certain special funds: (1) Coastal Protection and Restoration Fund; and (2) Artificial Reef Development Fund. Proposed law repeals certain special funds: (1) Mineral Revenue Audit and Settlement Fund; (2) Education Excellence Fund within the Millennium Trust; and (3) some provisions of the Oilfield Site Restoration Fund.

Proposed law establishes requirements for the State Bond Commission regarding the issuance of debt and provides a timeline and mechanism for contesting the validity of bonds. Upon the adoption of the constitutional amendment (HB 7), proposed law provides effective dates and review, study, and recommendations by the LA State Law Institute.

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	DECREASE	DECREASE	DECREASE	DECREASE	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	DECREASE	DECREASE	DECREASE	DECREASE	\$0
Annual Total	\$0					\$0

REVENUES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	\$0	DECREASE	DECREASE	DECREASE	DECREASE	\$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	DECREASE	DECREASE	DECREASE	DECREASE	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

Newly Created - Proposed law creates, amends, makes technical changes, and repeals certain special funds (statutory dedications) in the state treasury. The newly created statutory dedications, the Oilfield Site Restoration Fund and the LA Wildlife and Fisheries Conservation Fund (Conservation Fund), are removed from the LA Constitution, Article VII in the companion constitutional amendment bill (HB 7); therefore, these funds are placed in statute under this measure. There is no anticipated direct material effect on governmental expenditures as a result of placing these funds in statute.

Amended - Under the proposed law, amendments to the Oil Spill Contingency Fund, Millennium Trust, Louisiana Fund, and Unclaimed Property Permanent Trust Fund are not anticipated to have a direct material effect on governmental expenditures. These amendments are being made in anticipation of HB 7 being enacted.

Amended - Budget Stabilization Fund (BSF) - Beginning in FY 26, the proposed law removes the deposit of mineral revenues in excess of \$750 M from the BSF. **The removal of mineral revenues are supplanted by new revenue deposits of 15% corporate income and franchise tax proceeds and 15% mineral revenues. Should the BSF balance be at its annual calculated deposit cap, then these deposits will not take place and the revenues are to be deposited into the SGF but declared nonrecurring.** The calculation of the BSF deposit cap is increased in the proposed law from 4% of the prior year's total state revenue receipts to 7.5% of revenue receipts. The scenarios and conditions for which the BSF may be utilized (current year deficit, ensuing year deficit, and disaster response) are not changed in the proposed measure. **Continue on Page 2**

REVENUE EXPLANATION

Proposed law reduces revenue to local public schools and charter schools as a result of repealing the Education Excellence Fund (EEF). One-third (1/3) of investment income from the Millennium Trust is appropriated annually in the EEF. Of this, 85% goes to public and charter schools based on the student count in the most recent MFP Budget Letter and 15% goes to approved non-public schools based on the previous year's student counts. Schools use these funds, once approved by LDOE, for elementary and secondary education expenses but cannot be used on maintenance, capital improvements, or salaries. For FY 25, approximately \$12 M was appropriated from the EEF.

In addition, the proposed law repeals and amends certain trust funds that result in the loss of investment and interest earnings that will no longer be available for future appropriation. The proposed law dissolves the following trust funds - the Louisiana Education Quality Trust Fund (Permanent Fund), the Louisiana Quality Education Support Fund (Support Fund), and the Education Excellence Fund (EEF) will result in a loss of investment and interest earnings. For informational purposes, the beginning FY 25 balances in the three funds contained within the Millennium Fund were as follows: LEQTF - \$1.45 B; Support Fund - \$36.2 M; and EEF - \$482 M, totaling \$1.96 B. The combined revenue generated from investments and royalties for these three funds in FY 24 was approximately \$68 M.

The proposed law amends the RSTF to the newly created Revenue Stabilization Fund and removes all sources of revenue into the fund. The LFO estimates potential reductions in recurring SGF from interest and investment earnings of approximately \$22.5 M in FY 25, \$54 M in FY 26, \$84 M in FY 27, \$93 M in FY 28, and \$102 M in FY 29. These amounts are noted here but reflected in the revenue table of the proposed constitutional amendment bill, HB 7.

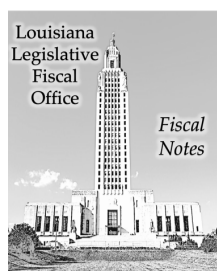
Senate
Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

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}

Alan M. Boxberger
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Legislative Fiscal Officer

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CONTINUED EXPLANATION from page one:

Page 2 of 2

Note: For informational purposes, 15% of corporate collections in the FY 26 forecast as adopted by the REC at its meeting on 5/9/24 would total \$135 M ($\$900 \text{ M} \times 0.15$). Likewise, 15% of mineral collections in the FY 26 forecast would total \$165.3 M ($\$1.1 \text{ B} \times 0.15$). Assuming this constitutional provision were enacted and the balance of the BSF were at its calculated cap, this provision would result in \$300.3 M SGF being designated as nonrecurring and restricted to the provisions in the existing Constitution Art VII, Section 10(D)(2) (changed in this instrument to Constitution Art VII, Section 14(D)(2)). Under the existing Constitution, these funds would be designated as recurring SGF available for general appropriations.

The current balance in the Budget Stabilization Fund is \$1.06 B. Treasury has not yet certified its calculation of total state revenue receipts for FY 24 to calculate the FY 25 deposit cap; however for illustrative purposes, based on the FY 24 maximum calculated at 7.5% of receipts, the cap would be estimated at \$2.82 B compared to the existing cap of \$1.50 B.

Amended - Revenue Stabilization Trust Fund (RSTF) - Proposed law changes the name of the RSTF to the "Revenue Stabilization Fund" and provides for authorized uses. The proposed law removes all sources of revenue into the RSTF, including certain excess mineral revenues and the excess corporate income and franchise tax collections over \$600 M, and removes authorization for the treasury to invest monies in the fund and to transfer proceeds into the SGF.

For informational purposes, effective upon the enactment of HB 7, the proposed law authorizes the treasurer to transfer monies out of the RSTF into the BSF in an amount equal to that needed amount to bring the balance of the BSF to its deposit limiting cap. The transfer amount is estimated at \$1.76 B. The current balance in the RSTF as of 10/15/2024 is \$2.77 B. After the transfer is completed, the new estimated balance would be approximately \$1 B.

Repealed - Repealing the Mineral Revenue Audit and Settlement Fund and some provisions of the Oilfield Site Restoration Fund is not anticipated to have a direct material effect on governmental revenues. Also, the proposed law repeals the Education Excellence Fund (EEF) within the Millennium Trust, which is anticipated to significantly impact expenditures within the LA Department of Education (LDOE) and local school districts.

When the EEF was created, the legislature also established investment accounts for school districts. Today, each of the 69 city and parish school systems, as well as the state special schools (excluding Ecole Pointe au Chien) have investment accounts. These accounts are viewed as savings accounts and accrue interest and are disbursed upon the request of the school system to supplement their annual EEF allocation. While some systems have zero or low balances in these accounts (Catahoula, Jefferson Davis, St. James), others have significant balances with some exceeding or approaching \$2 M (Ascension, Rapides, Ouachita). The total amount held within these investment accounts statewide, as of the start of FY 25, is approximately \$30.8 M. The LFO assumes these funds and investment account funds are not intended to be transferred along with the current balance of the EEF and will remain available for those entities to whom they were appropriated. **If this is the case, the Treasury reports additional guidance from the legislature will be needed concerning management of these funds.**

Local education agencies, both public and nonpublic, receive EEF dollars via flow through from LDOE. These entities can anticipate a total annual reduction of \$11.5 M as a result of proposed legislation. Impacts to school initiatives, particularly technology upgrades in classrooms that are directly tied to instruction, are expected. Specific impacts will vary by Local Education Authority; however, it should be noted that each EEF recipient has a separate fund within the state treasury where annual EEF deposits are made. Any unspent monies are carried forward in individual accounts and are available for use in future fiscal years. As of 10/15/24, approximately \$23.7 M in funding is held across all accounts, though totals vary by system. The LFO assumes these funds and investment account funds are not intended to be transferred along with the current balance of the EEF and will remain available for those entities to whom they were appropriated. **If this is the case, the Treasury reports additional guidance from the legislature will be needed concerning management of these funds.**

Senate

Dual Referral Rules

House

13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}

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}

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