

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 577** HLS 16RS 649

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 4, 2016	3:31 PM	Author: HODGES
Dept./Agy.: Education		Analyst: Jodi Mauroner
Subject: Louisiana Education Quality Trust Fund (8g)		

FUNDS/FUNDING EG INCREASE SD EX See Note Page 1 of 1
(Constitutional Amendment) Allows for the use of a portion of the Louisiana Education Quality Trust Fund when there is a projected deficit

The Louisiana Education Quality Trust Fund (LEQTF) was established to receive deposits of certain mineral revenue from the Outer Continental Shelf owed to the state from the U.S. Government, known as 8(g) monies. Currently the constitution requires a portion of recurring revenues to be deposited into the Permanent Fund until the balance reaches \$2 billion. Thereafter all interest earnings shall be dedicated to the LEQTF Support Fund and all recurring revenues shall be dedicated to the State General Fund. Proposed legislation would allow for up to 10% of interest income, realized capital gains, and dividend income to be used in the event the official forecast of recurring funds for the next fiscal year is less than the current year or in the event of a deficit in the current fiscal, subject to a two thirds vote of each house. Monies shall only be appropriated to replace decreases in appropriations for elementary and secondary education and higher education purposes. In no event shall the amount for the next fiscal year plus the amount appropriated for the current fiscal year exceed ten percent of earnings. To be submitted to the electors at the statewide election to be held on November 8, 2016.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

This bill will add a constitutional amendment to be considered by voters at the statewide election held on November 8, 2016. The Secretary of State may incur minimal ballot printing costs associated with this measure. As a regular practice, the Secretary of State typically budgets for up to 10 constitutional amendments and statewide propositions for the fall statewide elections. To the extent the ballot includes more than 10 constitutional amendments and statewide propositions, the Secretary of State may require additional SGF resources for the November 8, 2016 statewide election.

HB 577 is the constitutional companion to HB 706 which provides for the use of up to 10% of interest income, capital gains, and dividend income earned from the The Louisiana Education Quality Trust Fund (LEQTF). Average earnings for the past five years totals approximately \$25.7 M with annual earnings ranging from \$10 M to \$49 M. Authorization of appropriations from the Permanent Trust Fund as the result of a projected deficit would make these funds available to replace decreasing appropriations to elementary, secondary and higher education.

REVENUE EXPLANATION

To the extent that the LA Education Quality Trust Fund (Permanent Trust Fund) are utilized pursuant to the provisions of proposed law, realized capital gains, recurring revenues and dividend income earned on investment of the Permanent Trust Fund and deposited into the LA Education Quality Trust Fund for appropriation would be reduced by an indeterminable amount. LEQTF funds may be used only for educational purposes and are allocated 50% to elementary and secondary education and 50% to higher education. Current appropriations are approximately \$25 M each. Shrinking the corpus in the Permanent Trust Fund would result in a decline in investment revenues available for appropriation.

Furthermore, allowing withdrawals from the trust fund would extend the time it will take the fund to reach the \$2 B fund balance at which time deposits of recurring revenues would revert to the state general fund. This impact to the SGF is anticipated to occur beyond the time period reflected above.

- | | | |
|---|----------------------------|--|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

Evan Brasseaux

Evan Brasseaux
Staff Director