

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 717** HLS 16RS 303
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 9, 2016 8:19 AM	Author: STOKES
Dept./Agy.: Revenue	Analyst: Deborah Vivien
Subject: Dedicates general fund revenue as fees	

REVENUE DEPARTMENT OR -\$36,250,000 GF RV See Note Page 1 of 2
 Provides relative to the funding of the operations of the Department of Revenue

Current law designates that LDR may transfer an agreed upon amount to the Board of Tax Appeals (BTA) each year in lieu of filing fees for cases referred to the Board. The Department of Revenue is also authorized to retain certain fees and penalties as self-generated revenue to help fund departmental operations. The Board of Tax Appeals also obtains a statutory amount from local governments as well as generating filing fees.

Proposed law directs LDR to retain 1% of taxes (Title 47 only) and interest collected by LDR net of any constitutional dedications of those funds. LDR is also authorized to retain the following percentages of penalties each year with the remainder deposited to the general fund: 35% in FY 17, 30% in FY 18 and 25% in FY 19 and beyond. In addition, 0.01% of the amount retained by LDR from taxes is directed to be transferred to the Board of Tax Appeals. Except for a percentage of penalties and the permissive transfer from LDR to BTA, all other means of obtaining revenue appear to continue to be authorized for LDR and BTA.

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	\$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	\$0	\$0	\$0

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	(\$36,250,000)	(\$36,200,000)	(\$23,200,000)	(\$25,500,000)	(\$25,500,000)	(\$146,650,000)
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	(\$36,250,000)	(\$36,200,000)	(\$23,200,000)	(\$25,500,000)	(\$25,500,000)	(\$146,650,000)

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. According to the Department of Revenue, the current transfer of funds from LDR to BTA is \$153,749 for FY 16, and the FY17 Executive Budget recommendation for the BTA is \$737,268 for all means of finance. This bill will direct an estimated \$890,000 in general fund to the BTA as a self-generated dedication.

REVENUE EXPLANATION

The bill essentially dedicates general fund revenue by classifying these amounts as fees and self-generated revenues means of finance rather than statutory dedication. However, the bill also allows a certain portion of penalties currently collected and retained by LDR to revert to the general fund. The net impact is estimated to be \$36.2M no longer available as general fund in FY 17, decreasing to about \$24-\$25M in FY 19 and beyond as the maximum amount of penalties (75%) revert to the general fund.

The net general fund impact was estimated using revenue projections from the LDR budget request and proposed appropriations from the Executive Budget.

	FY 17	FY 18	FY 19	FY 20
Amount of general fund dedicated in bill (1% of collections)				
LDR	(78,542,000)	(80,509,000)	(69,603,000)	(70,858,000)
BTA	(781,493)	(801,065)	(692,550)	(705,037)
TOTAL	(79,323,493)	(81,310,065)	(70,295,550)	(71,563,037)

	FY 17	FY 18	FY 19	FY 20
Amount of general fund appropriated in Executive Budget				
LDR	16,903,945	16,903,945	16,903,945	16,903,945
BTA	214,379	214,379	214,379	214,379
TOTAL	17,118,324	17,118,324	17,118,324	17,118,324

	FY 17	FY 18	FY 19	FY 20
Amount of penalties reverting to general fund in bill				
	25,956,016	27,952,633	29,949,250	29,949,250

Net general fund impact	FY 17	FY 18	FY 19	FY 20	
	(36,249,152)	(36,239,107)	(23,227,976)	(24,495,463)	<i>(continued)</i>

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| Senate | <u>Dual Referral Rules</u> | House |
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | <input checked="" 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} |

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CONTINUED EXPLANATION from page one:

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REVENUE EXPLANATION (Continued)

It appears that the bill allows LDR to continue retaining fees, an additional \$3-\$4M, unless the Office of Debt Recovery effort generates more fees than anticipated since it can assess 25% of all collections. The Board of Tax Appeals is also authorized to continue collecting filing fees. However, BTA is authorized to continue collecting roughly \$200,000 annually from local governments (HB 978 of this session is increasing that amount). However, transfers from LDR are by agreement, which is assumed to be nullified by this bill.

Revenue available in the FY 17 budgets are as follows (all means of finance):

	Executive Budget	Estimated from the Bill
Department of Revenue	\$64.8M	\$96.4M
Board of Tax Appeals	\$737,268	\$1.1M

Senate Dual Referral Rules House

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Handwritten signature of Gregory V. Albrecht.

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