



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 294** HLS 17RS 880
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 2, 2017 9:52 AM **Author:** BACALA
Dept./Agy.: Transportation and Development **Analyst:** Alan M. Boxberger
Subject: Dedicates a portion of sales and use tax on motor vehicles

FUNDS/FUNDING OR -\$51,130,000 GF RV See Note Page 1 of 2
 Dedicates a portion of the state sales and use taxes on sales of motor vehicles for transportation projects

Proposed law creates the Highway Capacity Fund (HCF) and dedicates a portion of the avails of the state sales and use tax on motor vehicles to the HCF beginning at 10% in FY 18 and growing by a cumulative 10% annually until 100% of such avails are deposited into the HCF beginning in FY 27. Proposed law requires monies in the HCF to be used for final design and construction capacity projects and directs prioritization of such funding toward projects with the greatest number of annual vehicle travel hours saved per million dollars spent as determined by cost-benefit analysis. Proposed law restricts funding for projects with a total cost of less than \$100 M through FY 23, after which time no more than 50% of the annual appropriation may be expended on projects with a cost of \$100 M or more.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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						
REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	(\$51,130,000)	(\$87,640,000)	(\$129,600,000)	(\$174,480,000)	(\$217,750,000)	(\$660,600,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$51,130,000	\$87,640,000	\$129,600,000	\$174,480,000	\$217,750,000	\$660,600,000
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

Proposed law will result in an increase of funds deposited into the newly created Highway Capacity Fund (HCF) to be used exclusively for final design and construction for capacity projects and shall not be used for the operating costs of DOTD. The diversion of SGF into the HCF will necessitate a dollar-for-dollar expenditure reduction among an indeterminable number of state agencies that rely on SGF appropriations. The selection of projects shall be based on a cost-benefit analysis with

See Expenditure Explanation Continued on Page 2

REVENUE EXPLANATION

Proposed law creates the Highway Capacity Fund (HCF) and executes a phase-in of deposits into the fund from the avails of the state sales and use tax on motor vehicles over a ten-year period in 10% cumulative increments. These monies are currently deposited into the SGF and the provisions of proposed law will result in a phased diversion of revenues from the SGF into the newly created HCF until 100% of such revenues are diverted beginning in FY 2027.

State sales and use taxes on motor vehicles: The phase-in schedule provided by proposed law is applied to the official REC forecasts and will generate dollar for dollar losses for the SGF and increases in the HCF as reflected in the table above. Proposed law will result in annually increasing diversions of SGF dollars to be deposited into the HCF as per the table below:

	REC/LFO* Estimate	% to HCF	Potential Deposits into HCF	Loss from SGF
FY 18	\$511.3 M	10%	\$51.13 M	(\$51.13 M)
FY 19	\$438.2 M	20%	\$87.64 M	(\$87.64 M)
FY 20	\$432.0 M	30%	\$129.6 M	(\$129.6 M)
FY 21	\$436.2 M	40%	\$174.48 M	(\$174.48 M)
FY 22	\$435.5 M	50%	\$217.75 M	(\$217.75 M)
FY 23	\$435.5 M	60%	\$261.3 M	(\$261.3 M)
FY 24	\$435.5 M	70%	\$304.85 M	(\$304.85 M)
FY 25	\$435.5 M	80%	\$348.4 M	(\$348.4 M)
FY 26	\$435.5 M	90%	\$391.95 M	(\$391.95 M)
FY 27	\$435.5 M	100%	\$435.5 M	(\$435.5 M)

*For purposes of this fiscal note, FYs 22-27 total vehicle sales and use tax collections are estimated based on the three year REC average covering FYs 19-21 after the extra 1-cent sales tax is set to expire (excludes FY 18 as an outlier).

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}

Evan Brasseaux
 Evan Brasseaux
 Staff Director



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: HB 294 HLS 17RS 880
Bill Text Version: ORIGINAL
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Table with metadata: Date: May 2, 2017 9:52 AM; Author: BACALA; Dept./Agy.: Transportation and Development; Subject: Dedicates a portion of sales and use tax on motor vehicles; Analyst: Alan M. Boxberger

CONTINUED EXPLANATION from page one:

Expenditure Explanation Continued from Page 1

projects with the greatest number of annual vehicle travel hours saved per million dollars being spent first with certain restrictions. For FYs 18-23, no monies shall be expended for projects with a cost of \$100 M or more. Beginning in FY 24 and beyond, no more than 50% of the annual appropriation shall be expended for projects with a cost of \$100 M or more.

Proposed law creates the Highway Capacity Fund. The Louisiana Department of Treasury will incur SGF costs related to the creation of a new statutory dedication, including fund accounting, financial reporting, banking and custodial functions. These costs are typically small for individual statutory dedications (likely to be several thousands of dollars) and are typically absorbed within existing resources until cumulative additional dedications necessitate that increased resources be provided. At the point additional resources are necessary, the Treasury reports it will require one additional T.O. position with total personal services costs of approximately \$71,000 as well as one-time costs associated with acquisition of office equipment at approximately \$2,450.

The Department of Revenue (LDR) reports that proposed law will result in estimated SGF expenditures of approximately \$26,000 in FY 18 for computer system design and specifications, development and testing. Costs for computer system modification and testing, tax form redesign, and taxpayer inquiries are typically small for individual tax law changes and typically absorbed within existing resources until cumulative changes necessitate that additional resources be provided. The Department of Public Safety Services - Office of Motor Vehicles currently collects and deposits vehicle sales tax collections (approximately \$375.6 M in FY 16), while LDR collects taxes from the lease or rental of motor vehicles (approximately \$35.4 M in FY 16).

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

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 294** HLS 17RS 880
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 2, 2017 9:52 AM	Author: BACALA
Dept./Agy.: Transportation and Development	
Subject: Dedicates a portion of sales and use tax on motor vehicles	Analyst: Alan M. Boxberger

Senate

Dual Referral Rules

House

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

- 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