

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 419** HLS 19RS 177
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 28, 2019 4:43 PM	Author: IVEY
Dept./Agy.: State and Local Governments	Analyst: Greg Albrecht
Subject: Amends Article 7 of Constitution, Revenue and Finance	

TAX/AD VALOREM TAX OR SEE FISC NOTE GF RV Page 1 of 1
 (Constitutional Amendment) Amends Article 7 of the state constitution

The Joint Resolution proposes numerous amendments to Article 7 of the State Constitution dealing with revenue and finance. Significant proposed changes are (a) elimination of the requirement for a federal taxes paid deduction, (b) a new requirement for a flat rate individual income tax provided in law, (c) the activation of a severance tax dedication to the Atchafalaya Basin Conservation Fund, (d) creation of the State Cybersecurity and Information Technology Infrastructure Fund and dedicate state funds to it, (e) removes limitations on the balance of the Coastal Protection and Restoration Fund, (f) changes the calculation of deposits into the Budget Stabilization Fund, (g) changes the per institution limitation on Higher Education Louisiana Partnership Fund monies, (h) removes ad valorem assessment ratios and requires that they be set in law, (i) authorizes parish governments to set their own homestead exemption levels, (j) changes the industrial tax exemption program to a standard seven years of an 80% exemption but allows more exemption by the governor. Various other changes are proposed. To be submitted to the electors at the statewide election to be held on October 12, 2019.

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	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	SEE BELOW					
Annual Total						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The bill proposes numerous amendments to Article 7 of the State Constitution dealing with revenue and finance. Certain provisions would likely require statutory changes to implement, and this amendment explicitly contemplates that in certain cases. Thus, other than removing constitutional limitations, various aspects of the bill have no direct effect until statutory provisions are amended. Other provisions are uncertain as to their impact, if any.

There are two dedications in the bill that appear likely to materially divert current general fund resources. The bill activates the Atchafalaya Basin Conservation Fund, which would receive up to \$10 million per year from mineral revenue generated in the region. In addition, the bill dedicates 45/1000 of state resources annually to the State Cybersecurity and Information Technology Infrastructure Fund. While not precisely clear as to the base of the dedication calculation, applying the bill's 45/1000 dedication rate to the Bond Security and Redemption Fund flow-through for FY18 results in a dedication in excess of \$612 million per year. Such a large dedication seems unlikely to be intended, but more precise defining of the base and rate of dedication would be necessary to change such a result.

Subsequent statutory changes to the income tax structure that would be necessary in order to comply with the flat rate requirement of the bill can have material effects on state receipts as well as the distribution of tax burdens.

Material effects on local government tax receipts and the distribution of tax burden among property owners are also possible as changes to the industrial tax exemption program are implemented, as well as to the extent parish governments avail themselves of the authority to change the homestead exemption within their jurisdictions (with a vote of the parish electorate). Subsequent statutory changes to assessment ratios can also have material effects on local ad valorem tax receipts.

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| <p><u>Senate</u></p> <p><input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}</p> <p><input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}</p> | <p><u>House</u></p> <p><input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}</p> <p><input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}</p> |
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John D. Carpenter
Legislative Fiscal Officer