

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 414** HLS 19RS 910
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 23, 2019	9:30 AM	Author: DAVIS
Dept./Agy.: Revenue		Analyst: Benjamin Vincent
Subject: Sales and Use Tax Dedications: Transportation Trust Fund		

FUNDS/FUNDING RE -\$200,000,000 GF RV See Note Page 1 of 1
 Dedicates certain state sales and use tax revenues for deposit into the Construction Subfund of the Transportation Trust Fund

Proposed law dedicates general fund revenues from state sales and use taxes, as reported in the Comprehensive Annual Financial Report (CAFR), in excess of \$3.9 billion up to \$250 million, after exceeding that amount for two consecutive years, to the Construction Subfund of the Transportation Trust Fund.

Effective August 1, 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	SEE BELOW	SEE BELOW	(\$80,000,000)	(\$200,000,000)	(\$280,000,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	\$80,000,000	\$200,000,000	\$280,000,000
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

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

Proposed law would require the dedication of revenues in excess of \$3.9 billion from "General Revenues from Sales and Use Taxes" as reported in the CAFR, once this threshold is met for two consecutive years. Upon confirmation of meeting the threshold for the second consecutive year, collections in excess of \$3.9 billion from the prior year, not to exceed \$250 mil, would be deposited in the Construction Subfund on the first day of July following the notification of meeting the threshold, and for each fiscal year thereafter.

For FY18, CAFR General Revenues from Sales and Use Taxes amounted to approximately \$4.3 billion. This figure is analogous to the combined final audited revenues included under "Sales Tax - General" and "Vehicle Sales Tax" recognized by REC.

The apparent timing and revenue impact of proposed law under current REC projections is reflected in the table above. Current REC projections anticipate that CAFR General Sales and Use Tax revenues will exceed \$3.9 billion beginning in FY20.

If revenues increase as projected, notification of a \$80 mil excess would be required following the release of the FY21 CAFR, which would occur several months into FY22. A general fund reduction of \$80 mil, dedicated to the Construction Subfund, would occur on July 1, 2022, and thus impact FY23 revenues in this scenario. The impact in all years following would grow, up to \$250 million, to the extent that sales and use tax revenues grow in excess of the \$3.9 billion threshold.

For information purposes, anticipated sales and use tax revenues (including vehicle sales) is approximately \$3.90 billion in FY19, \$3.93 billion in FY20, \$3.98 billion in FY21, \$4.10 billion in FY22, and \$4.20 billion in FY23.

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}

Gregory V. Albrecht
Chief Economist