



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 639** HLS 21RS 898
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 15, 2021 9:28 AM	Author: ZERINGUE
Dept./Agy.: LDR/Treasury	Analyst: Benjamin Vincent
Subject: State Sales Tax Dedication	

FUNDS/FUNDING EN -\$400,000,000 GF RV See Note Page 1 of 1
 Dedicates Certain State Sales Taxes for Purposes of Repaying USACE; Provides relative to infrastructure funding

Proposed law creates the Hurricane and Storm Damage Risk Reduction System Repayment Fund, and dedicates certain state sales tax collections to the fund. For FY22, proposed law dedicates 38% of any state general fund revenue increase adopted by REC, relative to the projection adopted on May 18, 2021. For FY23, proposed law dedicates the first \$400 million in certain state sales and use tax collections on tangible personal property, remitted by taxpayers in certain parishes, to the fund. Taxable sales of services are not dedicated. Proposed law specifies that the fund may be used for payments to the U.S. Army Corps of Engineers, or for debt service payments in the event the state issues bonds to fund such payments. Proposed law directs a transfer of \$1.650 million of FY21 general fund revenues to the Capital Outlay Savings Fund. Proposed law removes the dedication of certain LA Stadium & Exposition District proceeds to the Louisiana Superdome Fund, and allows additional funds to be used for operational costs. Effective June 30, 2021.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$466,000	\$0	\$0	\$0	\$466,000
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$466,000	\$0	\$0	\$0	\$466,000

REVENUES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	(\$200,000,000)	(\$200,000,000)	\$0	\$0	\$0	(\$400,000,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$200,000,000	\$200,000,000	\$0	\$0	\$0	\$400,000,000
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	\$0	\$0	\$0

EXPENDITURE EXPLANATION

LDR anticipates incurring information technology staff time costs for development of a new tax return and web filing system modifications to identify and redirect the appropriate remittances (from tangibles but not services) from the particular affected parishes away from the general fund and into the new dedicated fund (the Hurricane and Storm Damage Risk Reduction System Repayment Fund). Additionally, expenditures associated with taxpayer mail-outs and education efforts regarding these filing changes are anticipated, resulting in a total estimated expenditure of \$440,000 for FY23. A minor expenditure to program redirection of revenues back to the state general fund for FY24 is also anticipated. This is reflected in the table above as an additional FY23 expenditure of \$26,000.

REVENUE EXPLANATION

Proposed law dedicates 38% of any increase in state general fund collections for FY22, recognized by the REC in excess of the amount recognized by the REC on May 18, 2021, into a dedicated fund (the Hurricane and Storm Damage Risk Reduction System Repayment Fund, newly created by this bill). In the event that any such excess revenues materialize, the revenue impact of proposed law for FY22 would be a reduction in general fund revenues, and a matching increase in dedicated revenues, amounting to 38% of the excess.

Proposed law additionally dedicates up to \$400 million annually for FY23 from sales and use tax remittances reported for certain parishes. LDR reports that eligible taxable sales reported and remitted from within these parishes typically total in excess of \$400 million, implying that the maximum dedication will likely be attained. As these tax collections would otherwise accrue to the state general fund, the revenue impact of proposed law in FY23 would be a \$400 million reduction of state general fund revenue, and a matching increase in dedicated revenues.

While discussed above as separate fiscal year amounts, the two allocations to the Hurricane and Storm Damage Risk Reduction System Repayment Fund are to total \$400 million combined. To the extent the FY22 38% allocation occurs, a comparably lower amount of FY23 allocation will occur. For fiscal Note purposes, the combined dedication is split evenly between the two affected fiscal years.

Although the table above reflects strictly a reduction of general fund revenues and a matching increase of dedicated revenues, a small portion (less than 1% of the total) of the collections may be diverted from the LED Marketing Fund and the Tourism Promotion District Fund into the the Hurricane and Storm Damage Risk Reduction System Repayment Fund, with a consequent smaller amount of general fund diversion.

Proposed law also removes the dedication of certain LA Stadium & Exposition District proceeds to the Louisiana Superdome Fund, and allows additional funds to be used for operational costs. From the perspective of this fiscal note, this is a movement between two dedicated uses.

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