

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 778** HLS 15RS 352
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 6, 2015 6:47 PM **Author:** ST. GERMAIN
Dept./Agy.: Revenue/Treasury **Analyst:** Deborah Vivien
Subject: Funds the infrastructure bank and other projects with 1%

TAX/SALES-USE, STATE EG +\$792,000,000 SD RV See Note Page 1 of 1
 Imposes a one cent state sales and use tax for ten years dedicated to the construction of highways and bridges constituting major economic development corridors and capitalization of the Louisiana State Transportation Infrastructure Bank
Current law imposes a 4% state sales tax on sales, rentals, and leases of tangible personal property and certain services, subject to exclusions and exemptions.

Proposed law retains current law and imposes an additional 1% sales tax on an identical base for 10 years from 7/1/15 to 7/1/25. The first \$100M collected in each calendar year beginning in 2015 is dedicated to the LA State Transportation Infrastructure Bank Fund, which will provide essentially revolving loan accessibility for local infrastructure projects. Any remaining funds will be dedicated to the Major Economic Development Corridors Fund created in the bill to fund 16 specific highway and bridge projects listed in the bill and nothing else. Interest and fund balance remain in the fund.

Effective July 1, 2015.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$792,000,000	\$816,000,000	\$840,000,000	\$865,000,000	\$883,000,000	\$4,196,000,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$792,000,000	\$816,000,000	\$840,000,000	\$865,000,000	\$883,000,000	\$4,196,000,000

EXPENDITURE EXPLANATION

This bill funds the State Infrastructure Bank under consideration in HB 767 of this session. The Department of Treasury indicates operations of the bank would be handled through negotiated contracts as current staff is not available or specialized to the degree required by the State Transportation Infrastructure Bank. Past legislation indicates the amount is anticipated at a few hundred thousand annually, but will depend on the parameters of and response to the contract. Additionally, to the extent other legislative instruments create new statutory dedications, there may be material additional costs associated with the aggregate effort to administer these funds.

REVENUE EXPLANATION

The bill imposes a new 1% sales tax on the existing state sales tax base and dedicates the proceeds to two funds. Using the 1/26/15 REC estimates, 1% of the existing sales tax base will generate approximately \$792M in FY 16, increasing by about 3% annually thereafter. This should be considered a maximum potential revenue increases since some negative responsiveness to consumer and business purchasing is possible with a 1% price increase sales taxable goods & services.

The LA State Transportation Infrastructure Bank (STIB) Fund will receive the first \$100M in each calendar year beginning in 2015, which allows two payments during FY 16, one presumably for collections during the second half of 2015 and one for collections during the first half of 2016. Assuming half the collections or roughly \$400M are collected in the second half of CY 2015 would allow for annual collections in excess of \$100M for the 2015 distribution. It is assumed that FY 16 through FY 25 are capped at \$100M annually for deposits to the STIB Fund.

Any remaining funds are deposited to the Major Economic Development Corridors Fund for use in projects specified in the bill. After subtracting the amount to be deposited to the STIB Fund, the MEDC Fund will receive an estimated \$592M in FY 16, \$716M in FY 17, \$740M in FY 18, \$765M in FY 19 and \$783M in FY 20.

	FY16	FY17	FY18	FY19	FY20
LA State Transportation Infrastructure Bank Fd.	\$200,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000
Major Corridor Economic Development Fund	592,175,000	716,125,000	739,725,000	765,250,000	
<u>782,555,000</u>					
TOTAL NEW FUNDS GENERATED BY BILL	\$792,175,000	\$816,125,000	\$839,725,000	\$865,250,000	\$882,555,000

	FY21	FY22	FY23	FY24	FY25	10 YR TOTAL
Infrastructure Bank Fund	\$200,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$1,200,000,000
Major Corridor Fund	700,206,100	818,210,222	836,574,426	855,305,915	874,412,033	7,680,538,697

Senate Dual Referral Rules House 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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