



Fiscal Briefing

Wednesday
January 13, 2016



HFD

House Fiscal Division
and Legislative Fiscal Office

Agenda

January 13, 2016

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Overview of Options

Expenditures and Revenues

- Spending Priorities (reduce expenditures)
- Statutory Dedications
- Increase Fees (ensure cover cost of operations)
- Budget Stabilization Fund (Rainy Day Fund)
- Tax Policy Changes (including rate, base, and tax expenditure modifications)
 - Sales and Use Tax
 - Income Tax
 - Excise Tax
 - Severance Tax
 - Property Tax

House and Senate Revenue Study

Dr. Jim Richardson, LSU

Dr. Steven Sheffrin, Tulane

Dr. James Alm, Tulane

Presentation to Louisiana House of Representatives

Establishing a Dependable Louisiana Tax Structure

Dr. Jim Richardson
Louisiana State University

Dr. Steven Sheffrin
Tulane University

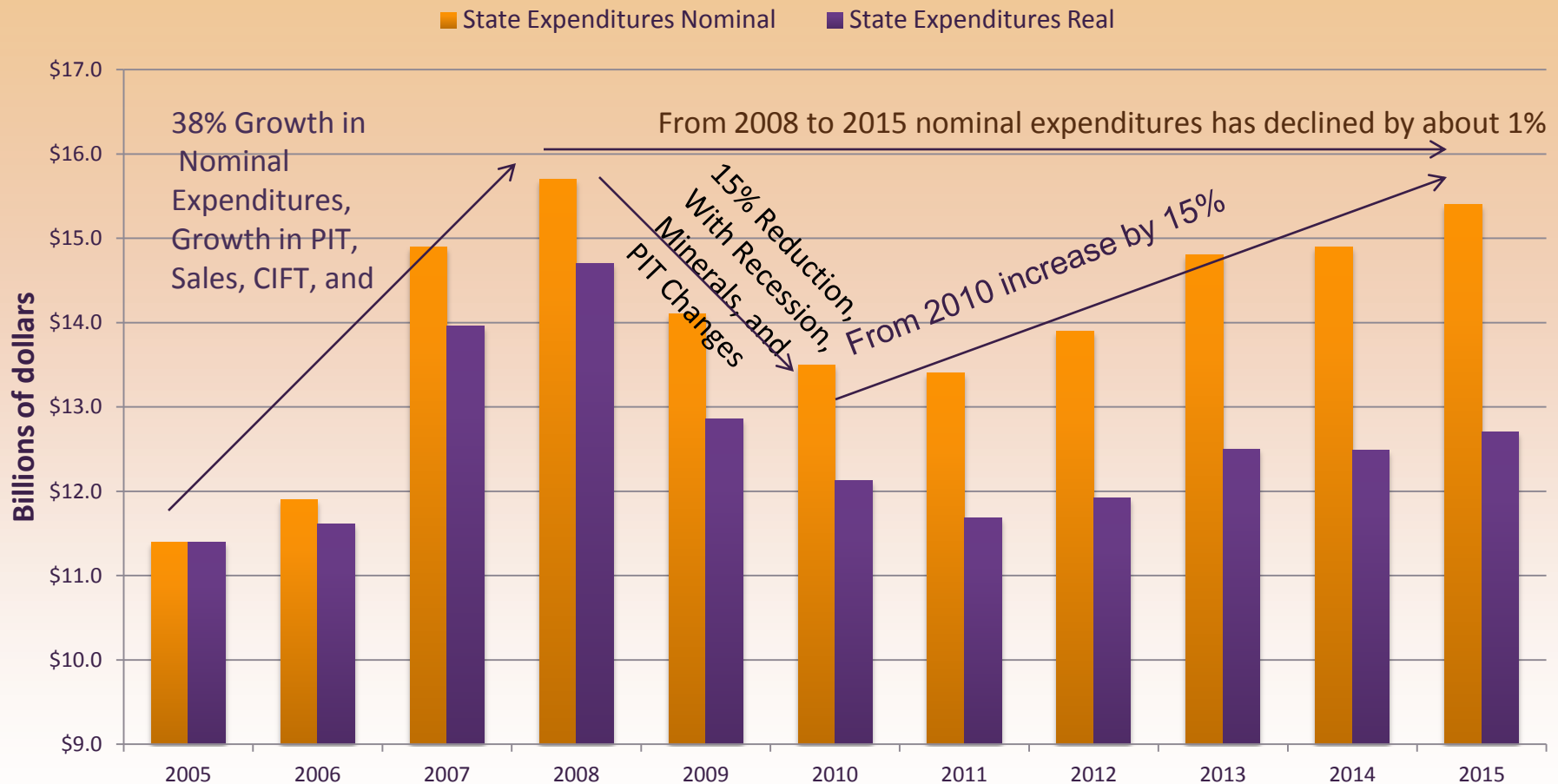
Dr. James Alm
Tulane University



A State's Tax Structure

- ◆ Goal is not to establish how much money the state should raise in tax revenues—the domain of elected officials and the people they represent.
- ◆ *Evidence suggests there is a mismatch between what tax system generates in revenue and what state wants to spend*
- ◆ Tax structure must:
 - **Provide sufficient revenues**
 - Be predictable and stable
 - Promote competitiveness
 - Be fair
 - Be simple
- ◆ Economic Principle: Broad Tax Base and Low Tax Rate

Nominal and Real State Expenditures, 2005 - 2015

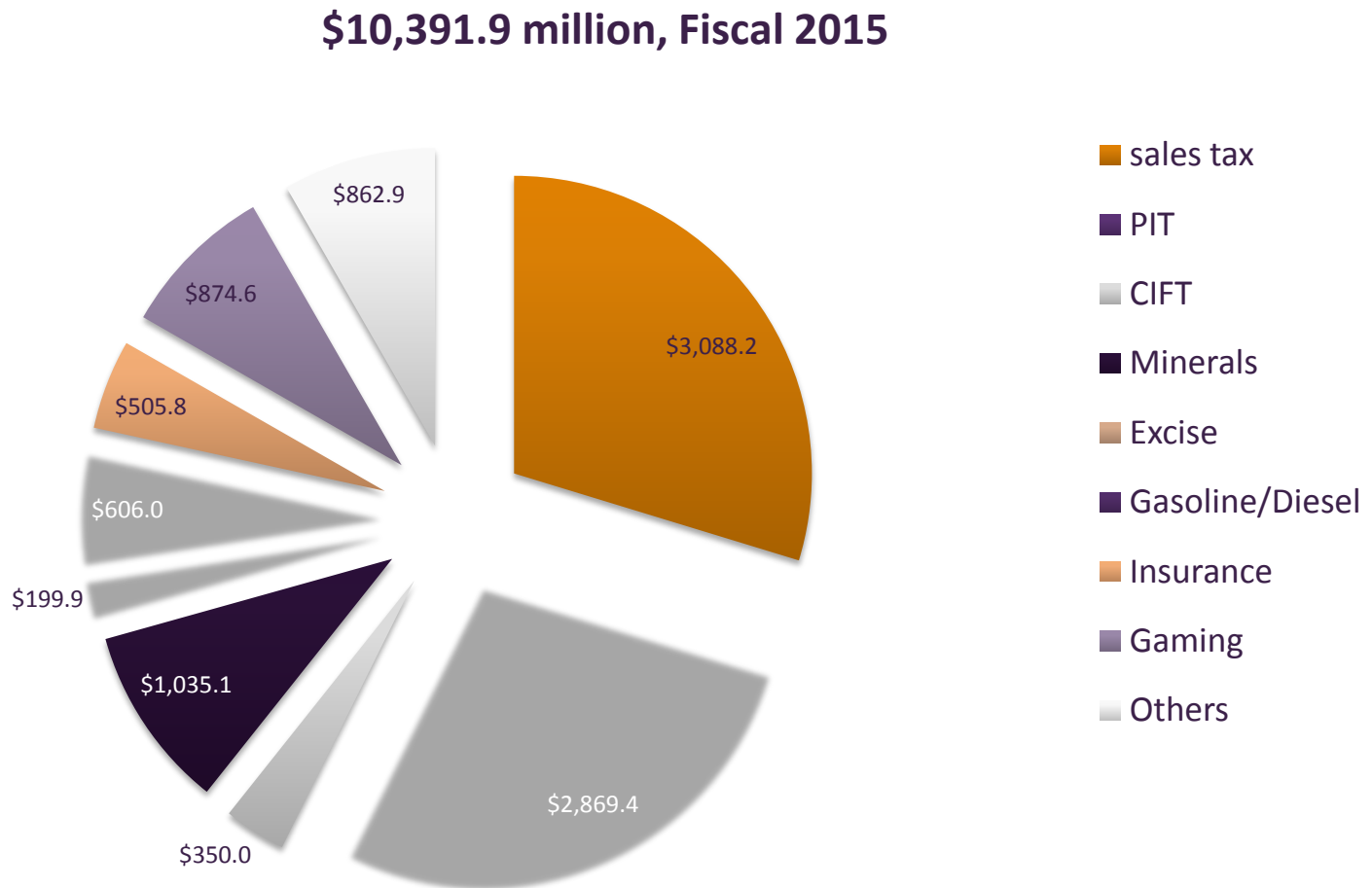


Increases and Decreases in State Expenditures/Revenues

Time Periods	State Expenditures	Total Taxes, Licenses and Fees	Differences
2008 to 2010	(\$3.489 billion)	(\$3.136 billion)	Expenditures/Taxes fell proportionally
2010 to 2015	<u>\$3.401 billion</u>	<u>\$1.575 billion</u>	Expenditures outgained tax receipts requiring other funds
2015-2016	2016-2017	2017-2018 and 2018-2019	
Oil price ↓ Nov. Adj's. ↓ 2015 Adj's ? Efficiencies?	<u>\$1.2-\$2.0 Billion</u> <u>ISSUE</u>	<u>Depends on What We Do In 2016—want tax system to generate sufficient funds for state expenditures</u>	

Tax Structure, Fiscal 2015

Louisiana's tax sources at point in time



**EXEMPTIONS, EXEMPTIONS,
EXEMPTIONS---EASY ANSWER!!!**

Not Really

PIT Exemptions and Credits—Est. \$2.180 billion

Exemptions and Credits	Projections for 2016
Federal Tax Liability	\$845 million--Constitutional
Excess Itemized Deductions	\$360 million—eliminated in 2002; added back in 2007, not used consistently in other states
Personal Exemption/Standard Deduction	\$258 million—common in other states—on average higher in LA
Retirement Benefits	\$232 million—state, teachers, federal and social security
Taxes Paid to Other States	\$89 million—amended in 2015 session based on 2015 presentation
Earned Income Tax Credit—working and low income	\$50 million—based on federal EITC and 26 states now use to assist workers at lower income levels
Net Capital Gains—higher income	\$46.0 million—applicable to LA residents selling LA business
Others	\$300 million

Corporate Exemptions and Credits, Est. \$1.722 billion

Exemptions and Credits	Projections, 2016
Subchapter S Corporation	\$545 million—not really exemption; a pass-through
Inventory Ad Valorem—modified in 2015	\$458 million—must apply 75% to all inventory taxes paid, not just refundable. Nothing to do with CIFT
Net Operating Loss—modified in 2015	\$373 million—poorly drafted law in 2015
Federal Tax Liability	\$208 million--constitutional
Motion Picture Tax Credit	\$136 million—not really a corporate credit—just use CIFT to write off—modified in 2015 session
Quality Jobs	\$42 million—must examine closely
Enterprise Zone	\$42 million—eliminate—simply not a productive exemption
All Others	\$126 million

Sales and Use Tax, \$3.346 billion

Exemption and Credits	Amount
Food for Home Consumption	\$408 million--Constitutional
Electrical Power for Nonresidential	\$419 million – changed in 2015— business development, but other states tax
Gasoline and special fuels	\$380 million--Constitutional
Prescription Drugs	\$295 million--Constitutional
State/local governments	\$203 million--Administration
Utilities for Residences	\$205 million--Constitutional
Machinery & Equipment	\$76 million—economic development
All Others	\$1,360 million—very soft number

Long-term Recommendations

Tax	Suggested Rates/Bases	Suggested Other Changes
Personal Income Tax	Change from 2%/4%/6% to 1%/3%/5%--same brackets as current—rates and brackets depend on how much money is needed	Eliminate federal deductibility, excess itemized deductions, and capital appreciation
Corporate Income and Franchise	Single rate of 5%; modify franchise tax to include limited partners operating in state (undoing UNTELCOM decision)	Eliminate federal tax deductibility; improve NOL carryback changes; improved definitions and methods for computing LA corporate income; rethink role of corporate franchise tax
Sales Tax	Same state rate of 4% due to high local rates; expand to some services; sunset certain sales tax exemptions	Sales Tax Administration—unified sales tax collections, state and local

Transition Possibilities: PIT

Tax	Short-term Change	Long-term Change
Personal Income Tax	<p>Keep rates at 2%/4%/6%, but narrow brackets and eliminate Excess Itemized Deductions Exemption and others that are acceptable such as Net Capital Gains and some of the smaller exemptions—raises estimated \$700 to \$750 million.</p> <p>Purpose is to raise revenues and not have to ask for a constitutional amendment immediately</p>	<p>Ask voters to eliminate federal tax liability as deduction</p> <p>Lower rates to be revenue neutral with short-term change</p> <p>Eliminate any other credits that might reduce yield of income tax</p> <p>Voters then have a choice on tax structure</p>

Transition Possibilities: Sales and Use Tax

Tax	Short-term change	Long-term change
Sales Tax	<p>Increase rate to 4.5% or 5%-- only way to generate dollars immediately and predictably and eliminate all exemptions that are not constitutional</p> <p>Rate increase will depend on how much the state needs to balance its budget and fund its programs</p> <p>And on how many exemptions are actually eliminated</p>	<ol style="list-style-type: none">1. <u>Sales Tax Administration</u>—unified sales tax collections, state and local—<u>absolutely important to bring Louisiana’s sales tax administration up to other states and allowing us to collect on remote sales</u>2. <u>Expand base</u> by eliminating exemptions (constitutional also) and including more services3. <u>Lower rate and keeping revenue neutral</u>

Transitional Possibilities: CIFT

Tax	Short-term Options	Long-term Options
Corporate Income and Franchise	<ol style="list-style-type: none"> 1. Revise NOL provision from 2015 session 2. Put inventory tax credit at 75% of inventory taxes paid and not just refundable credits 3. Modify franchise tax to include limited partners operating in state (undoing UNTELCOM) 4. Eliminate the Enterprise Zone tax exemption 5. Examine other exemptions/credits that could be eliminated 6. Front-load any cap on the film tax credit 	<ol style="list-style-type: none"> 1. Eliminate federal tax deductibility; 2. Enhance definition of corporate income by introducing add backs and examining apportionment rules—single sales factor; working towards Combined Reporting 3. Make corporate income tax rate—5% ideally, but no more than 6% 4. Revise Franchise Tax 5. Keep revenue neutral with new expected collections of CIFT

Recommendations and Suggestions

Tax	Suggested Rates/Bases	Suggested Other Changes
Severance	No suggested change in rates; <u>eliminate</u> horizontal drilling exemption. Now being gradually eliminated once price gets to \$70 per barrel and full eliminated once price reaches \$110 per barrel.	Re-examination of severance tax policy—current tax structure a product of 1970s. <u>Re-Examine</u> how we use Mineral Revenues
Excise	Liquor, wine, and tobacco, evaluate rates/same bases	align with market/regional averages—tobacco can go up to at least \$1.08 and wine and liquor can be increased.
Exemptions: Sales, PIT, and CIFT	Identify exemptions/credits that should be maintained or modified	Sunset other exemptions/credits—over a five-year period.

Local Tax Capacity: Property Taxes

	Proposed Changes	Explanation
<p>Property Tax is a local tax although state tax policy affects the base. Local sales and use tax rates are one of the highest in the country. We need to look at alternative local revenue options by focusing on two major property tax exemptions.</p>		
Homestead Exemption	1. Maintain at \$7,500 but do not increase	<ul style="list-style-type: none">• Rising housing values have broadened property tax base, which keeps millage rates lower
Industrial Tax Exemption	2. Reform by: <ul style="list-style-type: none">• Change from 5 years with 5 years renewal to single 7-year exemption• Change from 100% to 80% of property included in industrial tax exemption• Include local input in final decision	<ul style="list-style-type: none">• Property taxes support local services, but state has total control over industrial tax exemption• Most states make this a local decision and do not let exemption apply to educational millage• Rising market values expand exemption• Assist local governments in being more self-sufficient

Purpose of Louisiana Tax Study

- Tax reform is a multi-year process – a process requiring information, analysis, and judgment
- A well-established tax reform plan provides a plan for short-term adjustments and a foundation for long-term economic growth
- As we deal with short-term fiscal issues, make sure we do no harm to long-term fiscal reform
- But we appreciate that we have to survive the short-term in order to make the long-term adjustments

Comments and Questions????



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Revenue Options

Alison Pryor, HFD

Elise Read, HFD

Sales and Use Tax

Sales and Use Tax

Public sentiment....?

The **2015 Louisiana Survey published by the LSU Public Policy Research Lab** provides timely and relevant findings regarding citizens' understanding of and expectation for state tax and expenditure policies.

Some of their findings regarding public sentiment based on survey responses:

- Shortfall should be resolved using both spending cuts and new taxes
- Little stomach for specific spending cuts
- Little support for raising most specific taxes
- Feel they pay their share while others shirk
- Know little about the budget and are poorly informed about fiscal facts
- Believe 44 cents of every dollar wasted

<https://sites01.lsu.edu/wp/pprl/files/2012/07/LA-Survey-Report-2015-Second-Report-Budget.pdf>

Sales and Use Tax Options

- Broaden tax base
- Enforce the collection of use tax on remote sales
- Reduce vendor's compensation
- Repeal sales tax holidays
- Increase the rate

Sales and Use Tax Options:

Broaden tax base – new services and property

- **Option:** Add new services to the tax base
 - LA taxes relatively few services as compared to other states.
 - Recommended by both the Tax Foundation study and the Tax Study commissioned by the House and Senate.
 - 2013 gubernatorial plan was to increase sales tax revenues by adding services as a swap for repeal of the income tax.
- **Option:** Add new property to the tax base
 - Other states are expanding their tax bases to accommodate the new economy by including digital goods and services.
 - Rapidly evolving area of public policy.

Sales and Use Tax Options:

Broaden base – exclusions and exemptions

- FY15 Tax Exemption Budget estimates **statutory** exemptions and exclusions are valued at \$1.8 billion - - *a very soft number*
- **Option:** Excluded and exempted goods and services could be restored back to the base.
 - Repeal or revision of exclusions and exemptions
 - Suspension of exemptions (*suspended repeatedly from 1986 - 2009*).
- **Option:** Exclusions could be changed to exemptions
 - Many of the exclusions were enacted to protect special tax treatment for certain property or services from the impact of a suspension of exemptions
 - Would yield a savings to the state, but the timing and amount cannot be predicted, as well as allow for collection of data as to cost of the policies

Sales and Use Tax Options:

Enforce the collection of use tax on sales by remote dealers

- **New federal law is required** for LA to enforce the collection of sales and use tax on all taxable transactions, regardless of dealer location.
- All congressional proposals to date have required that states meet certain criteria in order to take advantage of any new federal authority: a uniform tax base, a single collector, and a single auditor - - this would require significant policy changes in LA.
- HB 555 of 2015 required remote dealers with certain forms of LA nexus to collect the tax - ***it was vetoed***
- **Option:** Absent federal legislation, the change contained in HB 555 of 2015 ***could*** generate ***some*** additional revenues, depending upon dealer compliance.

Sales and Use Tax Options: Vendor's Comp and Tax Holidays

➤ **Option:** Reduce vendor's compensation

- Dealer retains 0.935% of taxes collected as compensation for collection and timely remittance of Louisiana's sales and use taxes
- Rate was 1.1% until 2013
- Estimated FY16 revenue loss is \$26 million
- LA is one of several states with no limit on the amount of compensation a dealer may receive... some receive **over \$1 million/year**

➤ **Option:** Repeal sales tax holidays

- Annual Holiday: estimated FY16 revenue loss is \$3.2 million
- Hurricane Preparedness Holiday: estimated FY16 revenue loss is nominal
- Second Amendment Holiday: estimated FY16 revenue loss is \$1 million
- Administrative challenge for the dealer

Sales and Use Tax Options:

Increase a rate

- **Option:** Increase the tax by 1 cent
 - With current tax base, could generate \$792 million per the fiscal note for HB 778 of the 2015 Regular Session
 - With only constitutional exemptions, could generate over \$1 billion per the FY14-15 Tax Exemption Budget data for FY13-14
- Revenue available more quickly
- Increments of a cent? Temporary period?
- Increase in the state rate affects the locals' ability to enact new sales taxes
- Combined state + local rate is already high

Property Tax

Property Tax - State Option

- **Option:** LA Constitution authorizes the levy of a state property tax of up to 5.75 mills.
 - State property tax until the 1970's
 - Equity of assessments across the state
 - Using 2014 data, this could generate about \$224 million
 - Revenue would not be available until December 2016
 - Estimated potential tax:
 - *Residence valued at \$100,000 would pay \$14.37 in tax*
 - *Business with land valued at \$50,000 and a building valued at \$50,000 would pay \$71.87 in tax*

EXCISE TAXES: TOBACCO AND ALCOHOLIC BEVERAGES

Tobacco Tax: Basics

- State excise tax levied on cigarettes, cigars, smoking tobacco, and vapors at the following rates:

Cigarettes – \$.86 per pack of 20 cigarettes

Cigars :

- 8% of the invoice price for cigars invoiced by the manufacturer at \$120 per 1000 or less
- 20% of the invoice price for cigars invoiced by the manufacturer at more than \$120 per 1000

Smoking Tobacco – 33% of the manufacturer's invoice price

Smokeless – 20% of manufacturer's net invoice price

Vapors - \$0.05 per milliliter of consumable nicotine liquid solution

- REC FY2015 Actual Collections - \$153.9 million

State Excise Tax Rates on Cigarettes

January 1, 2015

		TAX RATE			
STATE		(¢ per pack)	RANK	STATE	(¢ per pack) RANK
AL (1)	Alabama (a)	42.5	47	Nebraska	64 38
AK	Alaska	200	12	Nevada	80 35
AZ	Arizona	200	12	New Hampshire	178 18
AR	Arkansas	115	30	New Jersey	270 9
CA	California	87	33	New Mexico	166 21
CO(5)	Colorado	84	34	New York (a)	435 1
CT	Connecticut	340	4	North Carolina	45 45
DE	Delaware	160	22	North Dakota	44 46
FL	Florida (b)	133.9	27	Ohio	125 29
GA	Georgia	37	48	Oklahoma	103 31
HI (2)	Hawaii	320	5	Oregon (e)	131 28
ID	Idaho	57	42	Pennsylvania	160 22
IL	Illinois (a)	198	17	Rhode Island	350 3
IN	Indiana	99.5	32	South Carolina	57 42
IA	Iowa	136	26	South Dakota	153 24
KS	Kansas	79	36	Tennessee (a)	62 39
KY	Kentucky (c)	60	40	Texas	141 25
LA	Louisiana	36	49	Utah	170 19
ME	Maine	200	12	Vermont	275 8
MD	Maryland	200	12	Virginia (a)	30 50
MA	Massachusetts	351	2	Washington	302.5 6
MI	Michigan	200	12	West Virginia	55 44
MN	Minnesota (d)	290	7	Wisconsin	252 10
MS	Mississippi	68	37	Wyoming	60 40
MO (1)	Missouri (a)	17	51	Dist. of Columbia (f)	250 11
MT	Montana	170	19	U. S. Median	136.0

After the increase adopted during the 2015 R.S., Louisiana's rank will improve.

Source: Compiled by FTA from state sources.

(a) Counties and cities may impose an additional tax on a pack of cigarettes: in Alabama, 1¢ to 25¢; Illinois, 10¢ to \$4.18; Missouri, 4¢ to 7¢; New York City, \$1.50; Tennessee, 1¢; and Virginia, 2¢ to 15¢.

(b) Florida's rate includes a surcharge of \$1 per pack.

(c) Dealers pay an additional enforcement and administrative fee of 0.1¢ per pack in Kentucky and 0.05¢ in Tennessee.

(d) In addition, Minnesota imposes an in lieu cigarette sales tax determined annually by the Department.

The current rate is 52.6¢ through December 31, 2015.

(e) Taxrate in Oregon is scheduled to increase to \$1.32 per pack January 1, 2016

(f) In addition, District of Columbia imposes an in lieu cigarette sales tax calculated every March 31. The current rate is 40¢.

Source: Federation of Tax Administrators - January 2015

Tobacco Tax: Tax Expenditures

- State discounts:
 - 6% for tobacco stamps
 - FY14 revenue loss was \$5.823 million
 - FY16 revenue loss projection is \$5.9 million
 - 6% for timely filing reports
 - FY14 revenue loss was \$1.382 million
 - FY16 revenue loss projection is \$1.4 million
- Federally Imposed Tax Exemptions
 - Interstate shipments of tobacco products
 - FY14 revenue loss was \$64.190 million
 - FY16 revenue loss projection is \$65 million

Tobacco Tax: Options

- Increase the state excise tax rate for cigarettes and other tobacco products
 - Federal excise tax also applies
 - Multiple layers of state and local taxes on these products
- Tax Study commissioned by the House and Senate recommended an increase in the state excise tax per pack of cigarettes of \$.72 bringing the total state excise tax to \$1.08 per pack
- Increasing rates can generate revenue ***almost immediately***
- Reduce or eliminate discounts
- Sunset or modify all non-federally imposed exemptions and discounts
 - These exemptions will not generate much revenue for the State General Fund

Alcoholic Beverages Excise Tax: Basics

- State excise tax levied on beverages of high alcoholic content and beer at the following rates:
 - Liquor – \$0.66 per liter
 - Sparkling Wines - \$0.42 cents per liter
 - Still Wines – rate varies from \$0.03 to \$0.66 per liter depending on the alcoholic content of the beverage
 - Beer – \$10 per barrel (31 gallons)
- REC FY 2015 Actual Collections:
 - \$23.8 million for Alcoholic Beverages
 - \$33.7 million for Beer

Alcoholic Beverages Tax: Tax Expenditures

- State discounts:
 - 2% for low alcoholic beverages
 - FY14 revenue loss was \$700,000
 - FY16 revenue loss projection is \$710,000
 - 3.33% for liquor and wine
 - FY 14 revenue loss was \$775,000
 - FY16 revenue loss projection is \$710,000
- Exemptions and refunds – negligible revenue loss
- Federally imposed tax exemptions
 - Interstate shipments of alcoholic beverages
 - FY14 revenue loss was \$1.111 million
 - FY16 revenue loss projection is \$1,170,000

Alcoholic Beverages Tax: Options

- Increase the state excise tax rate for beer and other alcoholic beverages
 - Federal excise tax also applies
 - Multiple layers of state and local taxes on these products
- Increasing rates can generate revenue ***almost immediately***
- Tax Study commissioned by the House and Senate recommended:
 - Increase the tax on beverages of high alcoholic content from \$2.50 per gallon to \$5.50 per gallon
 - Increase the tax on wine from \$0.11 per gallon to \$0.45 per gallon
 - No change in the tax on beer because the current rate is competitive nationally
- Reduce or eliminate discounts

Individual and Corporate Income Tax

Individual Income Tax

Stelly Overview

Rates and Brackets

Before adoption of the Stelly Plan

Single	2%	On the first \$10,000
	4%	On the next \$40,000
	6%	On net income above \$50,000



Rates and Brackets

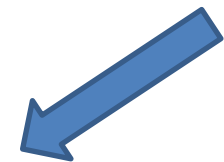
Adopted Under the Stelly Plan (2003)

Single	2%	On the first \$12,500
	4%	On the next \$12,500
	6%	On net income above \$25,000

DIDN'T REVERT BACK
TO PRE-STELLY
BRACKET

Current Rates and Brackets (Act No. 396 of 2008 R.S.)

Single	2%	On the first \$12,500
	4%	On the next \$37,500
	6%	On net income above \$50,000

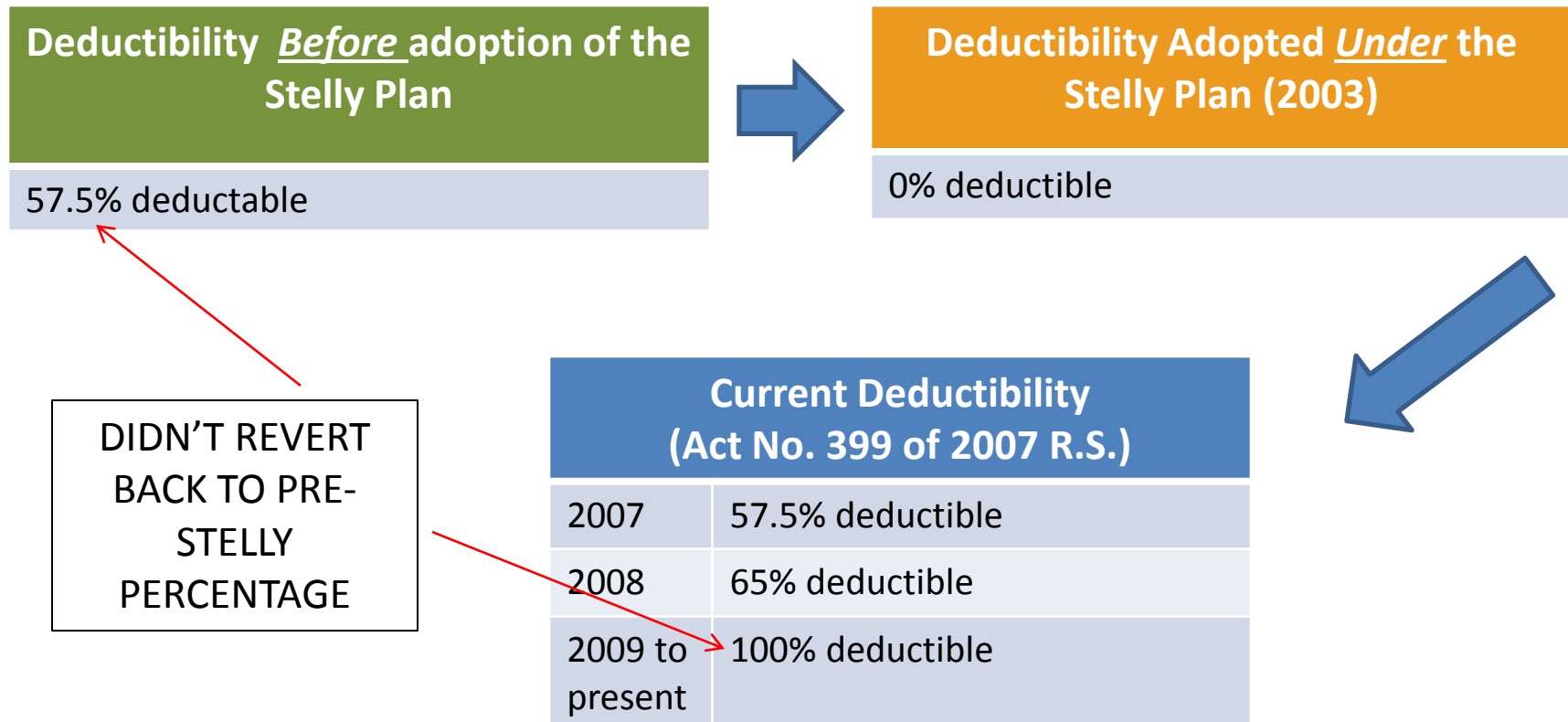


•Brackets are doubled if
taxpayer is filing jointly

Individual Income Tax

Stelly Overview

Excess Itemized Personal Deductions

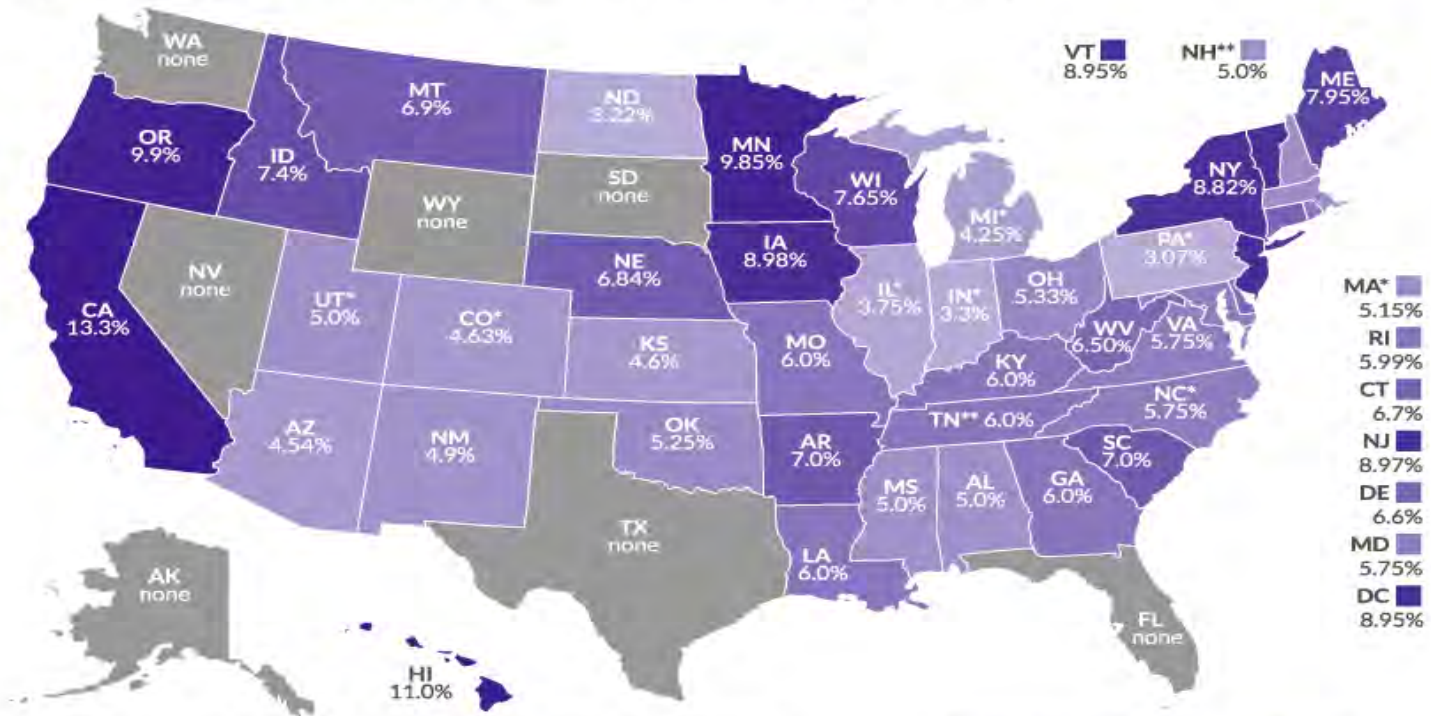


State Income Tax Rate Comparisons

Source: The Tax Foundation

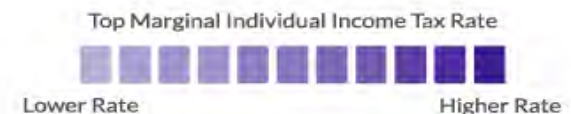
How High Are Income Tax Rates in Your State?

Top State Marginal Individual Income Tax Rates in 2015 (as of Apr 15, 2015)



Note: Map shows top marginal rates: the maximum statutory rate in each state. It represents the statutory tax rate on the last dollar of income earned for the highest income individuals in that state. It is not an effective marginal tax rate, which would include the effects of phase-outs of various tax preferences. Local income taxes are not included.

Source: State tax forms and instructions; *Facts & Figures 2015: How Does Your State Compare?*



* State has a flat income tax

** State also only taxes interest and dividends income

Individual Income Tax Options: 2016 and Beyond.....

- Long-term individual income tax proposals discussed in the Tax Study commissioned by the House and Senate include:
 - Repealing the deductions for federal income taxes paid (Const)
 - Repealing excess itemized personal deductions
 - Repealing the exclusion for net capital gains
 - Reducing individual income tax rates to 1%, 3%, and 5%
- Decouple the state's Earned Income Tax Credit (EITC) from the federal EITC
- Place a moratorium on any new credits applying to the individual income tax
- Sunset tax expenditures not meeting ROI goals

Corporate Income Tax: Basics

- Levied on the Louisiana taxable income of corporations

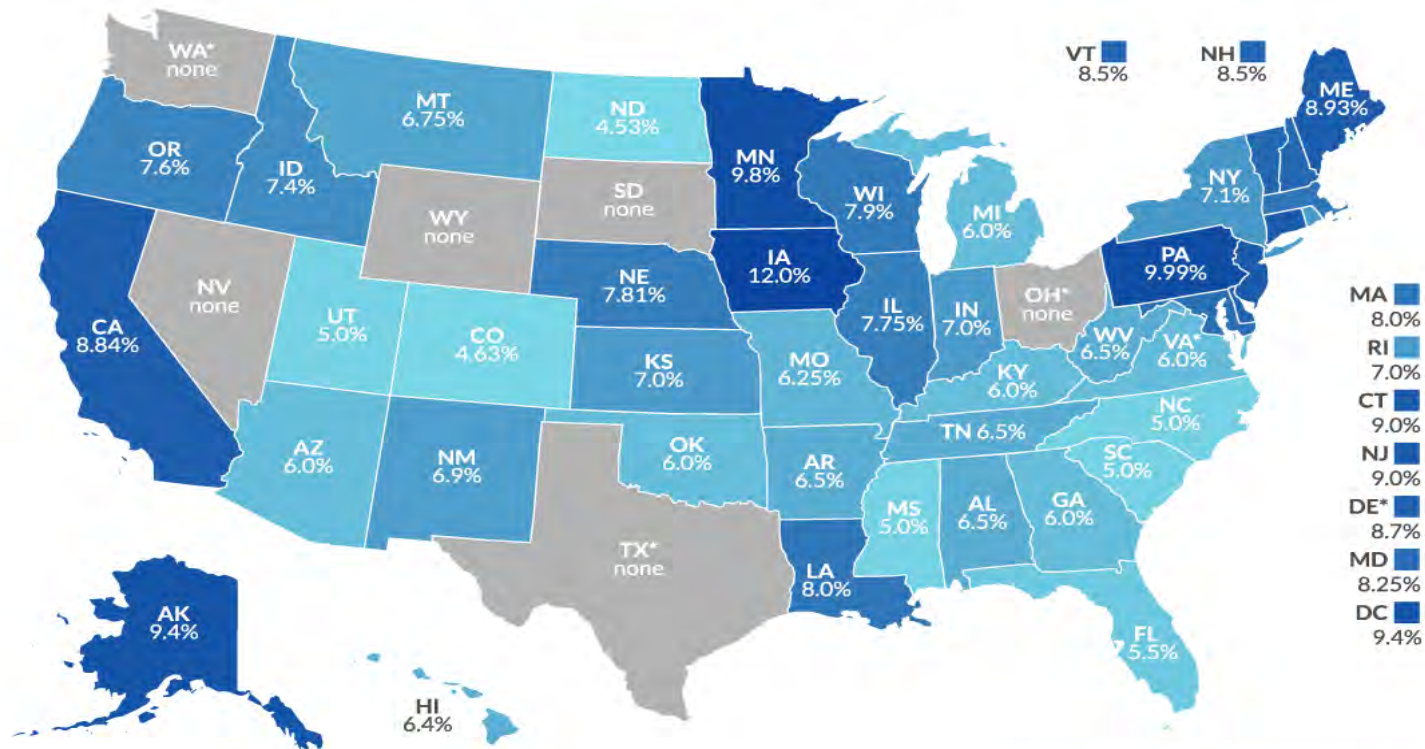
“Louisiana taxable income” is net income earned within or derived from sources within the state, after adjustments, less federal income tax deductions
- Tax rates:
 - 4% on first \$25,000 of taxable income
 - 5% of next \$25,000 of taxable income
 - 6% of next \$50,000 of taxable income
 - 7% of next \$100,001 of taxable income
 - 8% of taxable income over \$200,000
- FY15 actual collections for corporate income tax - \$300 million*

State Corporate Income Tax Rate Comparisons

Source: The Tax Foundation

How High Are Corporate Income Tax Rates in Your State?

Top State Marginal Corporate Income Tax Rates in 2015 (as of Apr. 15, 2015)



(*) State has gross receipts taxes with rates not strictly comparable to corporate income tax rates.
Notes: Connecticut's rate includes a 20% surtax. Illinois' rate includes two separate corporate income taxes.
Sources: State tax statutes, forms, and instructions; Commerce Clearinghouse.



Corporate Income Tax Options: 2016 and Beyond.....

- Long-term corporate income tax proposals discussed in the Tax Study commissioned by the House and Senate include:
 - Implementing a single flat rate for corporate income tax of 5%
 - Repealing the deduction for federal income taxes paid (Const)
- Implement “addback statutes”
- Consider combined reporting
- Expand “single sales factor apportionment” to industry sectors other than manufacturing and merchandising firms
- Eliminate or phase-out the corporate franchise tax

Corporation Franchise Tax

Corporation Franchise Tax: Basics

- Annual tax levied on the taxable capital of corporations, including capital stock, surplus, and undivided profits
- Tax Rates:
 - \$1.50 per \$1,000 of capital up to \$300,000
 - \$3.00 per \$1,000 for capital in excess of \$300,000
- Initial tax for new businesses is \$10
- Revenue generated from this tax is included in the corporate income tax collections
 - FY15 actual collections for corporate income tax - \$300 million

Corporation Franchise Tax

Like corporate income tax, “tax expenditures” against this tax type include:

- **Exemptions and Exclusions:**
 - Generally refer to organizations or corporations exempt from the tax due to the nature of their business
 - Businesses such as agricultural and marketing co-operatives, electric co-ops, credit unions, and LLC’s
- **Deductions:**
 - Generally defined as a reduction to the taxable base
 - Businesses such as banks, public utilities, regulated utilities, insurance holding corporations
- **Credits:**
 - Generally defined as a reduction in the amount of tax due
 - Same credits that apply to corporate income taxes

Corporation Franchise Tax Options: 2016 and Beyond.....

- Long-term corporation franchise tax proposals discussed in the Tax Study commissioned by the House and Senate include:
 - Repealing the tax altogether or alternatively keep the levy low and make it apply to all business types
- During the 2015 R.S., HB No. 828 proposed to phase-out the tax (repeal) over a 5-year period
 - Reduced by 20% for each of the 5-years of the phase-out beginning with taxable years beginning in January 1, 2016
 - Fiscal note's 5-year revenue loss was \$912 million

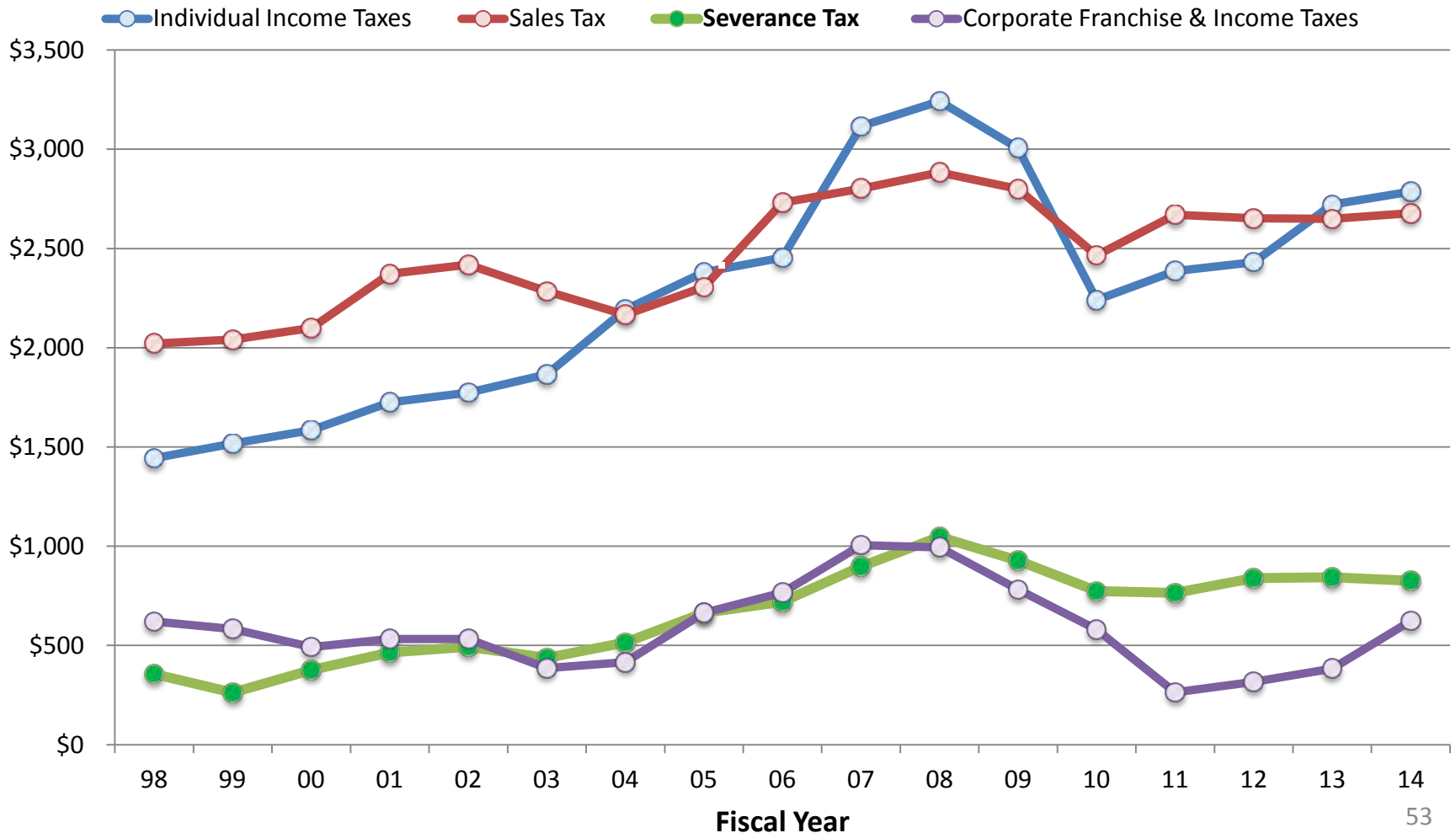
SEVERANCE TAXES

OIL AND NATURAL GAS

Severance Tax: Collections

As compared to other major sources

Yearly Tax Cash Collections
(in millions)



Severance Tax Options:

Revise or repeal special rate provisions

- **Option:** Revise or repeal special rate provisions
- The tax on oil and gas is subject to various special rate provisions for certain specific activities (FY15 estimates from FY15 Tax Exemption Budget):
 - **OIL severance tax capable well rate is 12.5% of value**, last changed 1974
 - Incapable well rate is 6.14% of value (estimated revenue loss is \$14 million)
 - Stripper well rate is 3.125% of value (estimated revenue loss is \$52 million)
 - Reclaimed well rate is 3.125% of value (no data)
 - **GAS severance tax capable well rate is 15.8 cents per MCF (*adjusted annually*)**
 - Incapable oil well rate is 3 cents per MCF (estimated revenue loss is less than \$1 million)
 - Incapable gas well rate is 1.3 cents per MCF (estimated revenue loss is \$18 million)

Severance Tax Options: Revise or repeal exemptions

- **Option:** Revise or repeal exemptions
- FY15 estimated revenue losses (FY15 Tax Exemption Budget)
 - Tertiary recovery projects exemption: Oil = \$30 million
 - Deep well exemption: Oil = \$16 million Gas = \$4 million
 - Horizontal well exemption:
Oil = \$10 million Gas = \$146 million

Severance Tax:

Background on horizontal well exemption

- Established in 1994, applicable to both oil and gas wells for a total exemption from severance tax for 2 years or until well payout
- Amended in 2015, as of July 1, 2015, value of the exemption will phase-out when the respective price of oil or gas exceeds a certain amount at the time of commencement of production of that well
 - Natural gastotally exempt if price is below \$4.50 per million BTU and no exemption if the price exceeds \$7.00 per million BTU
 - Oil ... totally exempt if the price is less than \$70 per barrel and no exemption if the price exceeds \$110 per barrel

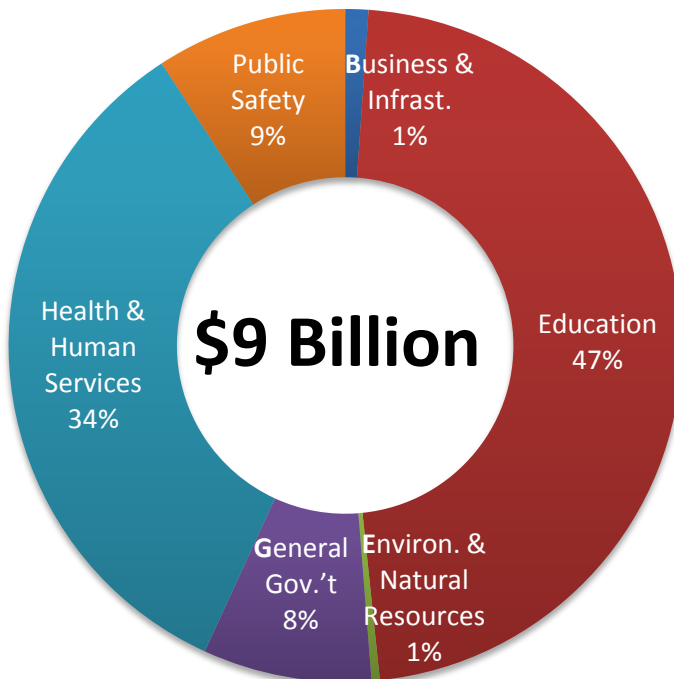
Expenditures

State General Fund and Past Reductions

Daniel Waguespack, HFD

Where State General Fund is Spent

Where It's Spent



FY 15-16 Appropriated SGF Expenditures by Functional Area

Where It's Not

- Department of Treasury
- Public Service Commission
- Department of Insurance
- Dept. of Transportation & Development
- Department of Public Safety
- Department of Revenue
- Department of Wildlife and Fisheries

Examples of recent reductions, eliminations, privatizations, substitutions, and consolidations

Health & Hospitals

- Privatization of Developmental Centers
- Privatization of State Hospitals
- Closure of the Hainkel Home, New Orleans Adolescent Hospital, and Southeast Hospital

Higher Education

- State General Fund support has decreased almost \$700 million while tuition has increased
- Performance Adjustment (Merit) increases eliminated for a number of institutions in certain years

K-12 Education

- No MFP 2.75% growth factor provided from FY10 through FY14, with the exception of \$69 million provided in FY14 for certificated teacher stipends
- State no longer funds National Board stipends for teachers
- Eliminated State Activity Programs for K-12/additional Math and Reading Programs
- Eliminated non-public transportation funding

Public Safety and Corrections

- Closure of adult prisons – Phelps Correctional Center, Dabadie Correctional Center, and Forcht-Wade Correctional Center
- Reduction of over 230 positions in Motor Vehicles/Instituted Public Tag Agent program
- Closure of Jetson Center for Youth

Statewide

- Information Technology consolidated
- Procurement Practices consolidated
- Privatization of Risk Management
- Consolidation of Human Capital Management
- Funding adjustments for Group Benefits
- Performance Adjustment (Merit) increases eliminated in certain years

Discretionary/Non-discretionary

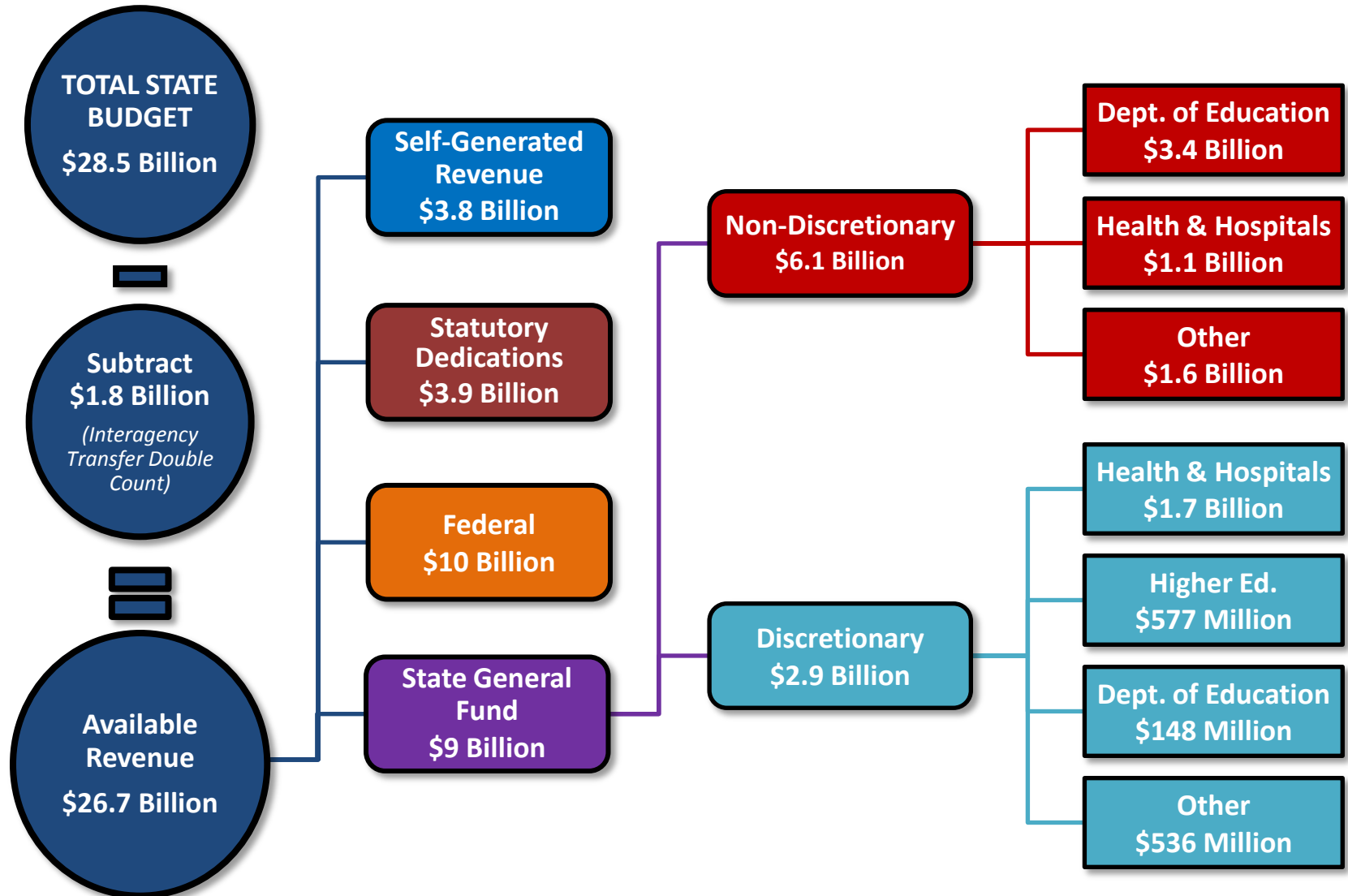
Mark Antoon, HFD

Discretionary/Non-Discretionary

Non-discretionary Spending is defined as expenditures which must be funded due to certain constitutional or statutory mandates listed in R.S. 39:36. (Mandates will be described on later slides.)

Discretionary Spending includes expenditures that are not restricted by the certain constitutional or statutory mandates listed in R.S. 39:36.

FY 16 Discretionary/Non-Discretionary



Other Appropriated Discretionary Funding FY 15-16

After Healthcare, Higher Education, and Elementary Education are funded, there is **\$536 million in discretionary State General Funding** left.

DEPT. NAME	SGF	% of Total
Executive	\$107,243,058	20%
Youth Services	\$92,493,821	17%
Other Requirements	\$84,614,234	16%
Corrections	\$60,297,961	11%
DCFS	\$59,125,036	11%
Culture, Rec. & Tourism	\$34,967,330	7%
Dept. of State	\$23,320,320	4%
Agriculture & Forestry	\$20,560,612	4%
Economic Development	\$15,179,555	3%
Dept. of Justice	\$10,254,100	2%
Natural Resources	\$8,251,107	2%
Workforce Commission	\$8,163,120	2%
Civil Service	\$4,857,042	1%
Veterans Affairs	\$4,768,500	1%
Lt. Governor	\$1,014,978	0%
Environmental Quality	\$460,700	0%
Total State	\$535,571,474	100%

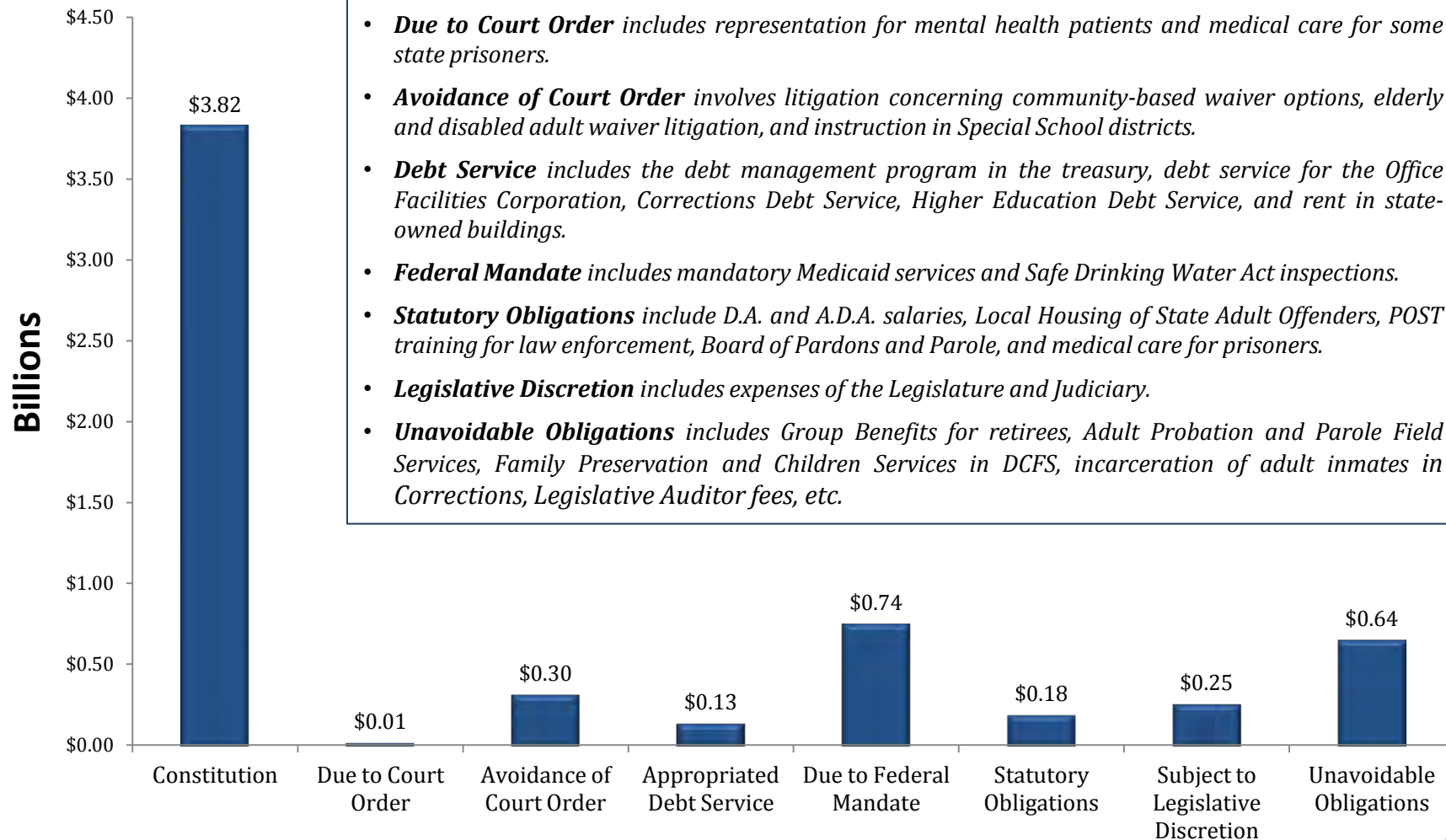
Other Appropriated Non-discretionary Funding FY 15-16

After Healthcare, and Elementary Education are funded, there is **\$1.6 billion in non-discretionary State General Funding** left.

DEPT. NAME	SGF	% of Total
Corrections	\$401,788,421	25%
Other Requirements	\$401,313,715	25%
Non-Appropriated	\$285,155,251	18%
Judicial App. Bill	\$159,838,908	10%
Higher Education	\$91,545,986	6%
DCFS	\$85,216,151	5%
Leg. App. Bill	\$73,352,811	5%
Dept. of State	\$31,984,218	2%
Health Care Services Div.	\$21,490,557	1%
Executive	\$14,254,405	1%
Agriculture & Forestry	\$4,657,689	0%
Youth Services	\$3,976,780	0%
Culture, Rec. & Tourism	\$3,271,449	0%
Other Education	\$2,353,888	0%
Dept. of Justice	\$1,385,753	0%
Economic Development	\$910,067	0%
Veterans Affairs	\$500,118	0%
Civil Service	\$404,084	0%
Lt. Governor	\$225,929	0%
Total State	\$1,583,626,180	100%

FY 16 Enacted

Non-Discretionary SGF by Categories



Local Expenditures

Peter Conroy, HFD

Aid to Locals - Constitutional

Fiscal Year 2015-2016 Appropriations

Program	SGF	Other MOF	Total
MFP	\$3,391,439,432	\$287,112,954	\$3,678,552,386
Supplemental Pay for Deputy Sheriffs, Municipal Police, and Firefighters	\$123,012,083	\$0	\$123,012,083
Parish Transportation	\$0	\$46,400,000	\$46,400,000
Revenue Sharing - State	\$90,000,000	\$0	\$90,000,000
Severance Tax Dedication	\$0	\$29,124,953	\$29,124,953
Parish Royalty Fund Payments	\$0	\$30,656,499	\$30,656,499
Total Constitutional	\$3,604,451,515	\$393,294,406	\$3,997,745,921

Source: Office of Planning and Budget, Appropriation Letters and State Budget

Aid to Locals – Education (including MFP)

Fiscal Year 2015-2016 Appropriations

Program	SGF	Other MOF	Total
MFP	\$3,391,439,432	\$287,112,954	\$3,678,552,386
LA4 Early Childhood Program	\$8,021,455	\$67,556,553	\$75,578,008
Various flow through programs for K-12 education in Subgrantee Assistance	\$56,602,418	\$1,102,156,204	\$1,158,758,622
Reimbursement for Nonpublic Assistance (Required Services, School Lunch Salary Supplement, Textbooks)	\$26,294,019	\$0	\$26,294,019
Total Education	\$3,482,357,324	\$1,456,825,711	\$4,939,183,035

Source: Office of Planning and Budget, Appropriation Letters and State Budget

Aid to Locals – Federal Pass-through (excluding Education)

Fiscal Year 2015-2016 Appropriations

Program	SGF	Other MOF	Total
Community Development Block Grant	\$0	\$356,103,200	\$356,103,200
Clean Water State Revolving Loan Fund	\$0	\$85,000,000	\$85,000,000
Safe Drinking Water Revolving Loan Fund		\$34,000,000	\$34,000,000
Total Federal Pass-through	\$0	\$475,103,200	\$475,103,200

Source: Office of Planning and Budget, Appropriation Letters and State Budget

Aid to Locals – Elderly Affairs

Fiscal Year 2015-2016 Appropriations

Program	SGF	Other MOF	Total
Councils on Aging	\$2,927,918	\$510,454	\$3,438,372
Senior Centers	\$6,329,631	\$0	\$6,329,631
Total	\$9,257,549	\$510,454	\$9,768,003

Source: Office of Planning and Budget, Appropriation Letters and State Budget

Aid to Locals – Public Safety (Excluding Constitutional Supplemental Pay)

Fiscal Year 2015-2016 Appropriations

Program	SGF	Other MOF	Total
Local Housing of Adult Offenders	\$125,759,644	\$7,000,000	\$132,759,644
Transitional Work Program	\$19,269,804	\$0	\$19,269,804
Local Reentry Services	\$9,156,550	\$0	\$9,156,550
Local Housing of Juvenile Offenders	\$2,808,891	\$0	\$2,808,891
Total Local Housing of State Offenders	\$156,994,889	\$7,000,000	\$163,994,889

Source: Office of Planning and Budget, Appropriation Letters and State Budget

Aid to Locals – Public Safety (Excluding Constitutional Supplemental Pay)

Fiscal Year 2015-2016 Appropriations

Program	SGF	Other MOF	Total
Video Draw Poker	\$0	\$44,348,479	\$44,348,479
Louisiana Public Defender Board	\$0	\$18,521,992	\$18,521,992
District Attorneys and Assistant District Attorneys	\$26,771,908	\$5,450,000	\$32,221,908
Supplemental Pay - Constables and Justices of the Peace	\$1,027,452	\$0	\$1,027,452
Total	\$27,799,360	\$68,320,471	\$96,119,831

Source: Office of Planning and Budget, Appropriation Letters and State Budget

Aid to Locals – Public Safety (Excluding Constitutional Supplemental Pay)

Fiscal Year 2015-2016 Appropriations

Program	SGF	Other MOF	Total
Two Percent Fire Insurance Fund	\$0	\$27,066,198	\$27,066,198
Prepaid Wireless 911 Service	\$0	\$7,000,000	\$7,000,000
Emergency Medical Services		\$150,000	\$150,000
Total	\$0	\$34,216,198	\$34,216,198

Source: Office of Planning and Budget, Appropriation Letters and State Budget

Aid to Locals – Dedicated Revenues

Fiscal Year 2015-2016 Appropriations

Program	SGF	Other MOF	Total
Office of Tourism allocations	\$0	\$5,623,499	\$5,623,499
Sales Tax Dedications	\$0	\$45,126,731	\$45,126,731
State Aid to Local Government Entities	\$0	\$11,193,819	\$11,193,819
Total	\$0	\$61,944,049	\$61,944,049

Source: Office of Planning and Budget, Appropriation Letters and State Budget

Tourism Allocations FY 16 - \$5,623,499

Allocation	Amount	Allocation	Amount
Independence Bowl	\$300,616	Louisiana Book Festival	\$25,000
FORE Kids Fund	\$314,108	Kent House	\$56,000
Essence Festival	\$948,112	Louisiana Sports Hall of Fame	\$552,786
New Orleans Bowl	\$280,577	Statewide Arts Grants	\$500,000
Greater New Orleans Sports Foundation	\$544,050	Decentralized Arts Grant	\$1,000,000
Bayou de Famille Park	\$418,500	Indy Car	\$150,000
Louisiana Special Olympics	\$250,000	Bayou Classic	\$250,000
Senior Olympics	\$33,750		

Source: Office of Planning and Budget, Appropriation Letters and State Budget

Sales Tax Dedications FY 16 - \$45.1M

Fund	FY16	Fund	FY16	Fund	FY16
Acadia Parish Visitor Enterprise	\$117,696	East Carroll Parish Visitor Enterprise	\$9,209	N.O. Metro Convention and Visitor Bureau	\$9,000,000
Allen Parish Capital Improvements	\$220,050	East Feliciana Tourist Commission Fund	\$3,000	Ouachita Parish Visitor Enterprise	\$1,400,000
Ascension Parish Visitor Enterprise	\$1,000,000	Evangeline Visitor Enterprise Fund	\$50,000	Plaquemines Parish Visitor Enterprise Fund	\$258,444
Avoyelles Parish Enterprise Fund	\$120,157	Franklin Visitor Enterprise Fund	\$37,002	Pointe Coupee Parish Visitor Enterprise Fund	\$26,024
Beauregard Parish Community Improvements	\$129,733	Iberia Parish Tourist Commission Fund	\$480,000	Alexandria/Pineville Exhibition Hall	\$249,205
Bienville Parish Tourist & Economic Development	\$26,290	Iberville Parish Visitor Enterprise Fund	\$110,000	Red River Visitor Enterprise Fund	\$102,205
Bossier City Civic Center Fund	\$1,754,015	Jackson Parish Economic Development Fund	\$13,800	Richland Visitor Enterprise Fund	\$110,000
Shreveport Riverfront Convention Center Independence Stadium	\$2,270,733	Jefferson Parish Convention Fund	\$3,100,000	Sabine Parish Tourism Development	\$178,785
West Calcasieu Community Center Fund	\$1,067,099	Jefferson Davis Parish Visitor Enterprise	\$143,226	St. Bernard Parish Enterprise	\$140,000
Caldwell Parish Economic Development Fund	\$70	Lafayette Parish Visitor Enterprise Fund	\$3,100,000	St. Charles Parish Enterprise Fund	\$198,775
Cameron Parish Tourism Development Fund	\$24,105	Lafourche Parish Enterprise Fund	\$269,564	St. James Parish Enterprise Fund	\$25,225
Town of Homer Economic Development Fund	\$17,810	LaSalle Economic Development Fund	\$22,485	St. John the Baptist Convention Facility	\$317,762
Concordia Parish Economic Development Fund	\$84,400	Lincoln Parish Visitor Enterprise Fund	\$300,000	St. Landry Parish Historical Development	\$400,000
DeSoto Parish Visitor Enterprise	\$200,000	Livingston Parish Tourism and Economic Development	\$600,000	St. Martin Parish Enterprise Fund	\$180,000
EBR Parish Riverside Centroplex	\$1,200,000	Morehouse Parish Visitor Enterprise Fund	\$43,209	St. Mary Parish Visitor Enterprise	\$815,000

Source: Office of Planning and Budget, Appropriation Letters

Sales Tax Dedications FY 16 - \$45.1M

Fund	FY16	Fund	FY16	Fund	FY16
St. Tammany Parish Fund	\$1,900,000	Lincoln Parish Municipalities Fund	\$230,000	Bastrop Municipal Center Fund	\$37,746
Tangipahoa Parish Tourist Commission Fund	\$477,985	East Baton Rouge Community Improvement	\$2,578,067	Rapides Parish Coliseum Fund	\$75,967
Tensas Parish Visitor Enterprise Fund	\$1,723	EBR Parish Enhancement Fund	\$1,300,000	Madison Parish Visitor Enterprise Fund	\$50,000
Houma/Terrebonne Tourist Fund	\$600,000	Washington Parish Tourist Commission Fund	\$47,837	Natchitoches Historic District Development	\$360,000
Union Parish Visitor Enterprise	\$27,043	Grand Isle Tourist Commission Account	\$52,499	Baker Economic Development Fund	\$44,195
Vermilion Parish Visitor Enterprise	\$115,175	Gretna Tourist Commission Account	\$131,690	Ernest N. Morial Convention Center Phase I	\$2,000,000
Webster Parish Convention Visitor Bureau	\$172,066	Lake Charles Civic Center Fund	\$940,000	Lafourche Parish ARC Training and Dev.	\$400,000
West Baton Rouge Parish Visitor Enterprise	\$518,477	N.O. Area Tour & Econ Fund	\$298	Vernon Parish Legislative Improvement Fund	\$61,905
West Carroll Parish Visitor Enterprise Fund	\$22,639	River Parish Convention Tourism & Visitor	\$210,000	TOTAL SALES TAX DEDICATIONS	\$45,126,731
Winn Parish Tourism Fund	\$37,000	St. Francisville Economic Development Fund	\$190,000		
Shreveport-Bossier City Visitor Enterprise	\$605,124	Tangipahoa Parish Economic Development Fund	\$180,000		
Vernon Parish Legislative Community Improvement	\$367,193	Washington Parish Infrastructure & Park	\$50,000		
Alexandria/Pineville Area Tourism Fund	\$250,000	Pineville Economic Development Fund	\$219,984		
Rapides Parish Economic Development Fund	\$266,641	Washington Parish Economic Development & Tourism	\$16,107		
Natchitoches Parish Visitor Enterprise	\$100,567	Terrebonne Parish Visitor Enterprise	\$573,725		

State Aid to Locals FY 16 - \$ 11,193,819

Appropriation	Amount	Appropriation	Amount
Affiliated Blind of Louisiana Training Center	\$500,000	26th Judicial District Court Truancy Programs	\$552,035
Louisiana Center for the Blind at Ruston	\$500,001	Algiers Economic Development Foundation	\$100,268
Lighthouse for the Blind in New Orleans	\$500,001	Beautification Project for New Orleans Neighborhoods Fund	\$100,752
Louisiana Association for the Blind	\$500,000	Friends of NORD	\$100,824
Greater New Orleans Sports Foundation	\$1,000,220	New Orleans City Park Improvement Association	\$2,089,912
Calcasieu Parish Fund for the Calcasieu Parish Schools	\$816,453	St. Landry School Board	\$733,353
FORE Kids Foundation	\$100,000	Parish of Orleans pursuant to the Casino Support Services Contract	\$3,600,000

Aid to Locals - Capital Outlay Block Grants

- Two block grant programs included in Capital Outlay Bill
 - Local Government Assistance Program (LGAP)
 - Various types of community projects
 - Community Water Enrichment Fund (CWEF)
 - Rehabilitation, improvement, and construction projects for community water systems
 - Each has max amount per city and parish
 - Neither applies to state's nine HUD entitlement cities (Alexandria, Baton Rouge, Bossier City, Kenner, Lafayette, Lake Charles, Monroe, New Orleans, and Shreveport)
- Amount appropriated to programs has varied each year. \$5 million new money included in HB 2 of 2015 Regular Session for each program

Aid to Locals - Capital Outlay Non-State Entities

- Non-state entities include:
 - Political subdivisions:
 - Parish and municipal governments
 - Ports and levee districts
 - Special districts
 - Nongovernmental organizations (NGO's)
- Majority of projects in HB 2 are funded with General Obligation Bonds
- Capital outlay reforms in 2008 affecting non-state entity projects include:
 - Minimum local match of 25% of total requested amount of funding
 - Limited new cash line of credit capacity for non-state entity projects to no more than 25% of cash capacity

Dedications

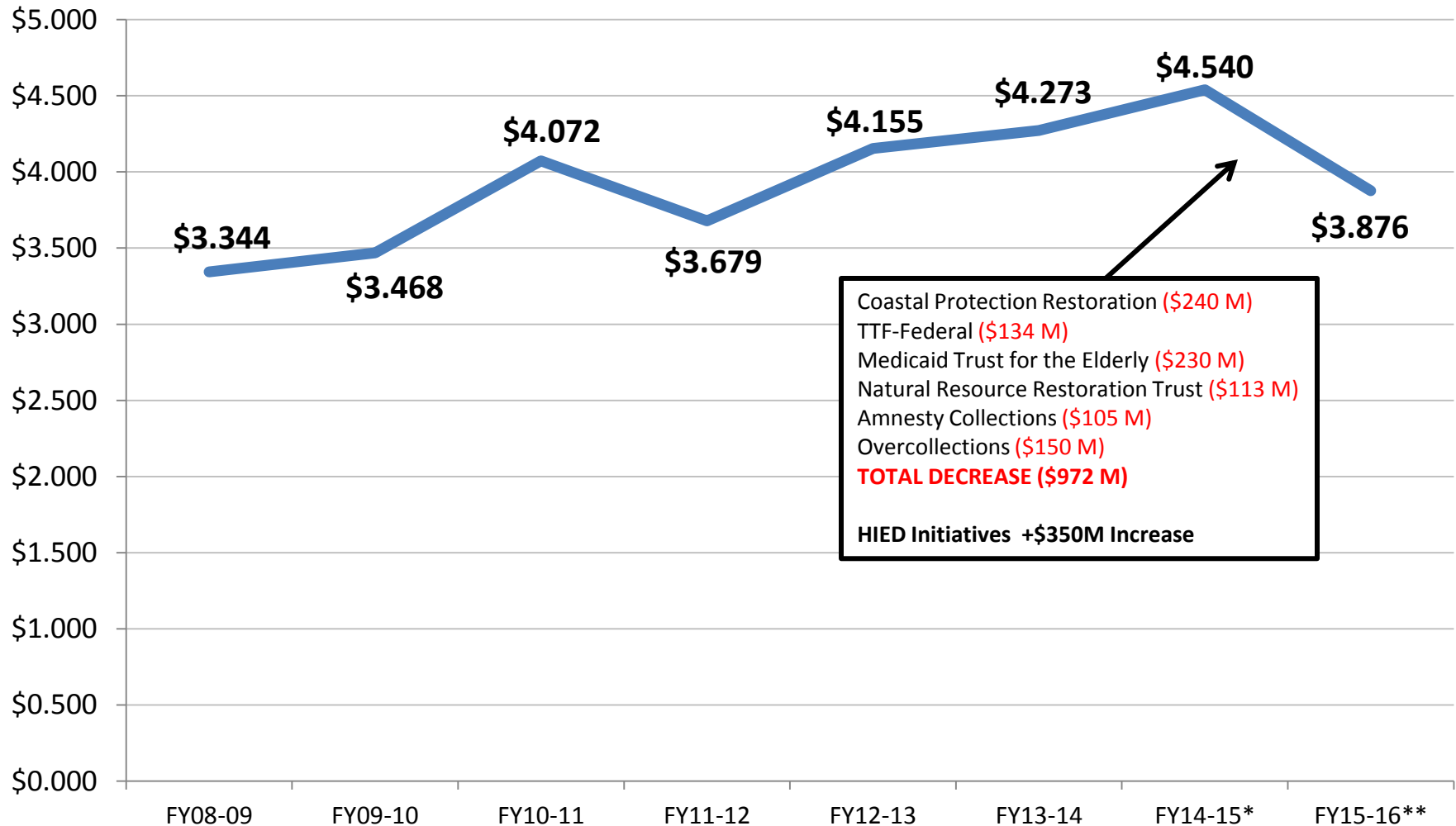
Chris Henry, HFD

Dedicated Funds “Stat Deds”

Revenues dedicated to a particular fund created in law, usually with a dedicated source and use for the fund, and credited to that fund by the state treasurer after cycling through the Bond Redemption and Security Fund.

Categories		
Protection: <ul style="list-style-type: none">• Constitution• Statutory	Use of Funds: <ul style="list-style-type: none">• Department• Locals• Capital Outlay• Debt Service	Source of Funds: <ul style="list-style-type: none">• Special Tax• State General Fund• Fee• Fine• Assessment• Pass through

8 Year Historical Dedications (in Billions)



Source: Prepared by House Fiscal Division Staff using Appropriation Letters

* FY14-15 EOB

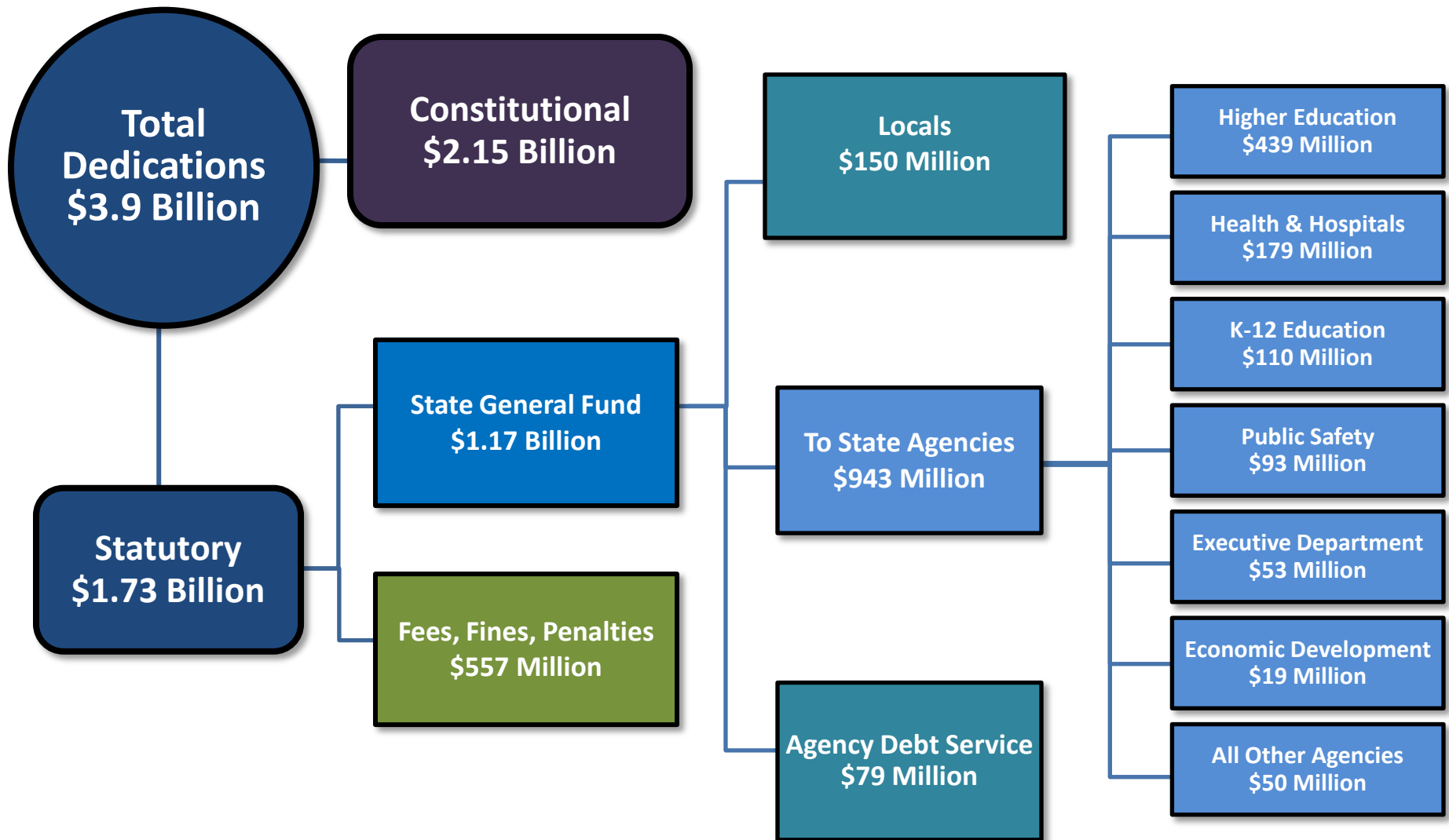
** FY15-16 Appropriated

Total Dedications by Department

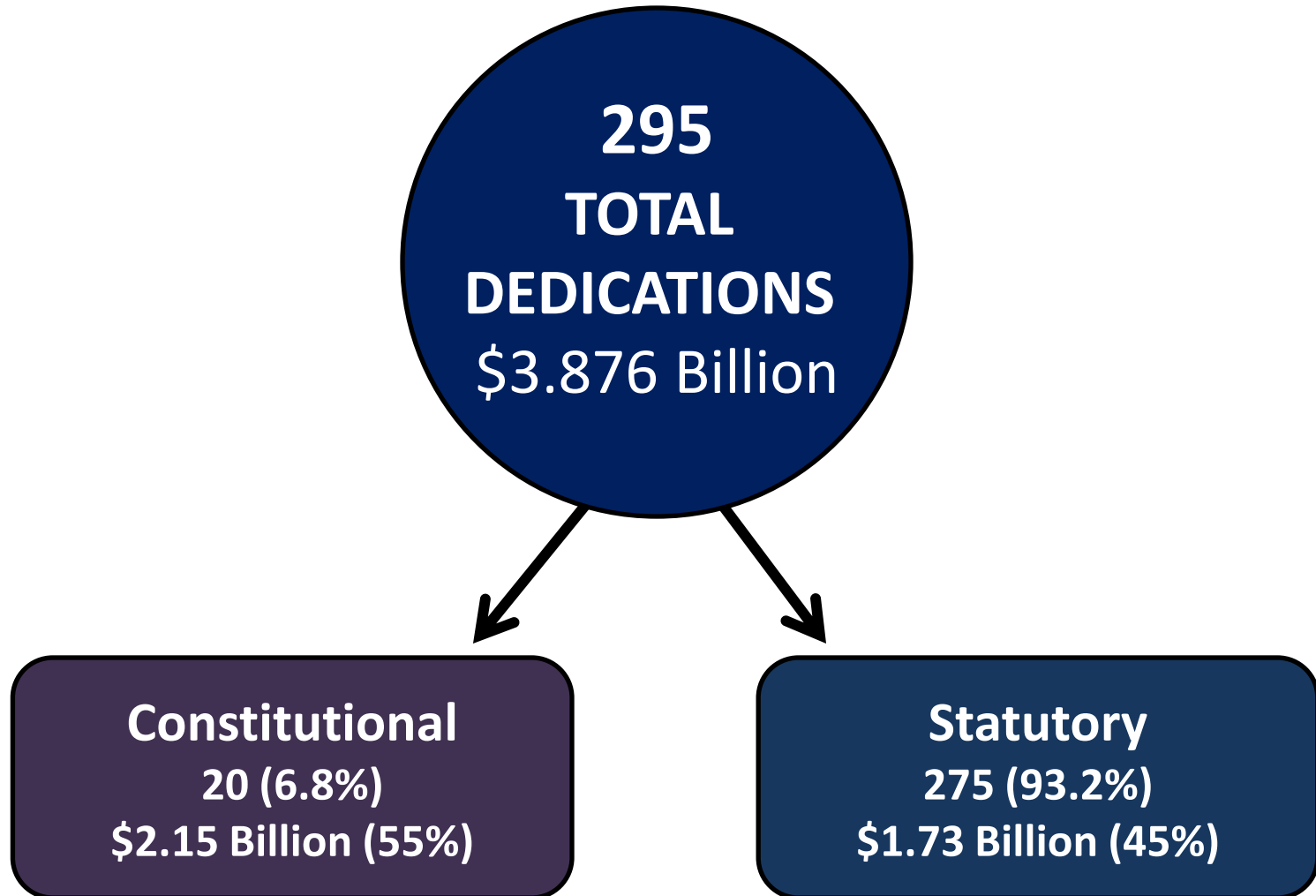
DEPARTMENT	# FUNDS	AMOUNT	%
Capital Outlay	9	\$793,912,564	20.5%
Higher Education	17	\$533,675,165	13.8%
Transportation & Develop.	8	\$512,850,444	13.2%
Health and Hospitals	21	\$419,017,336	10.8%
Education	3	\$301,242,890	7.8%
Other Requirements	106	\$235,066,827	6.1%
Public Safety Services	29	\$228,737,578	5.9%
Executive Department	24	\$159,377,925	4.1%
Ancillary Appropriations	3	\$121,000,000	3.1%
Wildlife and Fisheries	33	\$118,075,057	3.0%
Workforce Commission	6	\$111,396,051	2.9%
Environmental Quality	7	\$93,985,517	2.4%
Non-Appropriated Req.	4	\$72,071,266	1.9%
Agriculture and Forestry	16	\$33,822,471	0.9%
Natural Resources	7	\$28,932,120	0.7%
Special Schools & Com.	3	\$25,107,251	0.6%

DEPARTMENT	# FUNDS	AMOUNT	%
Attorney General	11	\$22,433,009	0.6%
Economic Development	5	\$19,044,729	0.5%
Culture Rec. & Tourism	5	\$10,426,959	0.3%
Judicial Expense	2	\$10,371,434	0.3%
Legislative Expense	1	\$10,000,000	0.3%
Public Service Commission	6	\$8,895,471	0.2%
Civil Service	1	\$2,120,685	0.1%
Commissioner of Insurance	3	\$1,432,793	0.0%
Children and Family Services	6	\$1,255,661	0.0%
State Treasurer	5	\$857,596	0.0%
Revenue	1	\$549,459	0.0%
Secretary of State	3	\$514,078	0.0%
Youth Services	1	\$149,022	0.0%
Veterans Affairs	1	\$115,528	0.0%
Corrections Services	1	\$54,000	0.0%

FY 16 Dedication Flowchart



Appropriated Dedications

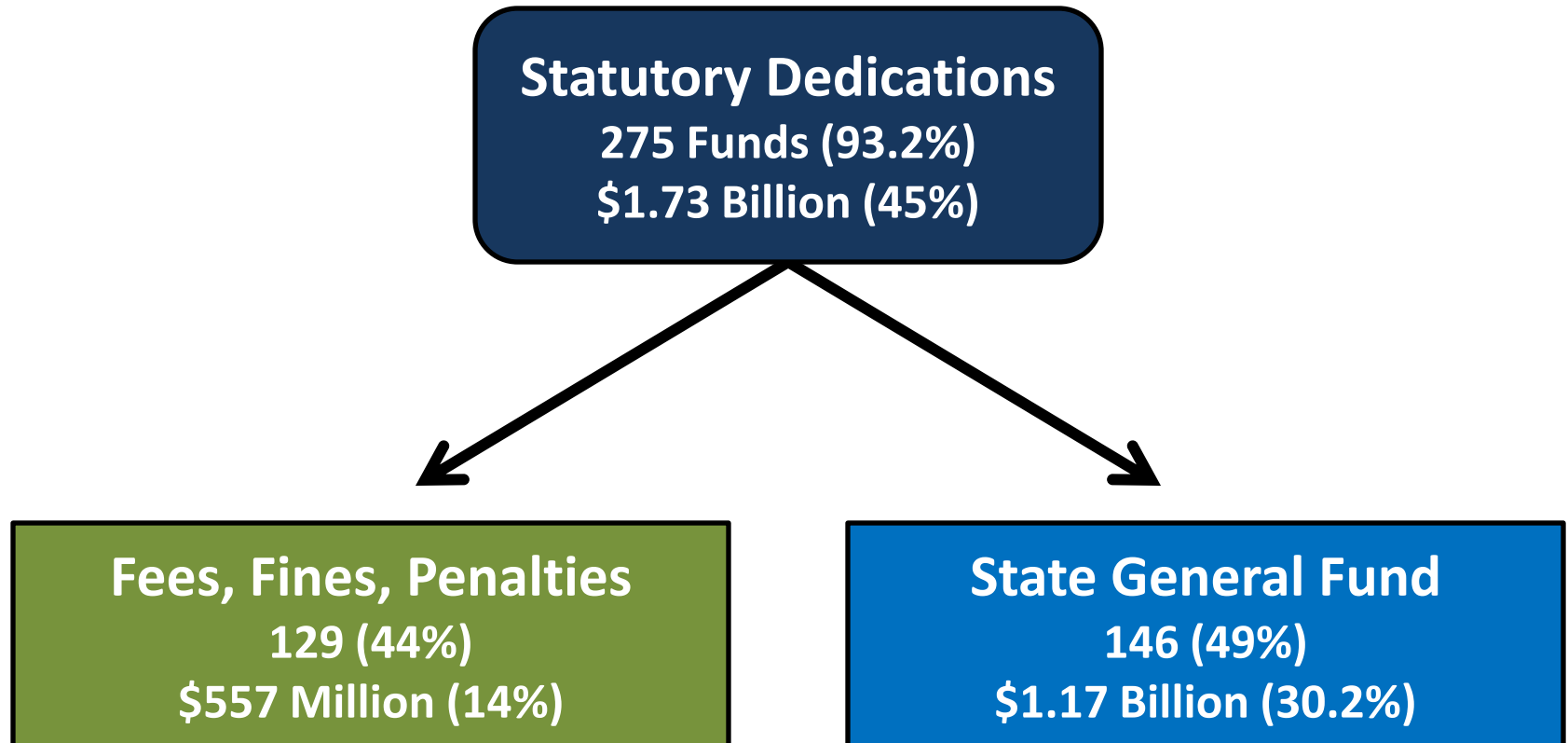


Constitutional Dedications

Total Dedications: 20 (6.8%) Total Funding: \$2.15 Billion (55%)

FUND	APPROPRIATION	AGENCIES UTILIZING
TTF-Federal	\$703,135,418	Capital Outlay, DOTD
TTF-Regular	\$479,757,487	Capital Outlay, DOTD
LA Medical Assistance Trust Fund	\$189,865,163	Department of Health & Hospitals
Louisiana Lottery Proceeds Fund	\$177,400,000	Department of Education
Coastal Protection and Restoration	\$122,820,758	Capital Outlay, Executive
Transportation Trust Fund	\$109,610,000	Other Requirements, Public Safety
Conservation Fund	\$85,046,175	Capital Outlay, Wildlife & Fisheries
TOPS Fund	\$65,117,154	Higher Education, State Treasurer
Louisiana Quality Education Support Fund	\$53,344,165	Higher Education, Special Schools & Commissions, State Treasurer
Parish Road Royalty Fund	\$30,656,499	Non-Appropriated Requirements
Health Excellence Fund	\$30,523,175	Department of Health and Hospitals, State Treasurer
General Severance Tax-Parish	\$22,932,014	Non-Appropriated Requirements
Education Excellence Fund	\$14,556,656	Department of Education, Special Schools and Commissions, State Treasurer
Louisiana Fund	\$13,912,402	Department of Health and Hospitals, Office of the Attorney General
Oil Spill Contingency Fund	\$12,508,193	DEQ, DNR, Wildlife & Fisheries, Executive, Public Safety
Highway Fund #2 Motor Vehicle License Tax	\$12,289,814	Non-Appropriated Requirements
Artificial Reef Development Fund	\$10,970,812	Department of Wildlife & Fisheries
Oilfield Site Restoration Fund	\$8,403,243	Natural Resources
Timber Severance Tax-Parish	\$6,192,939	Non-Appropriated Requirements
IEB Statutory Dedication	\$37,159	Other Requirements

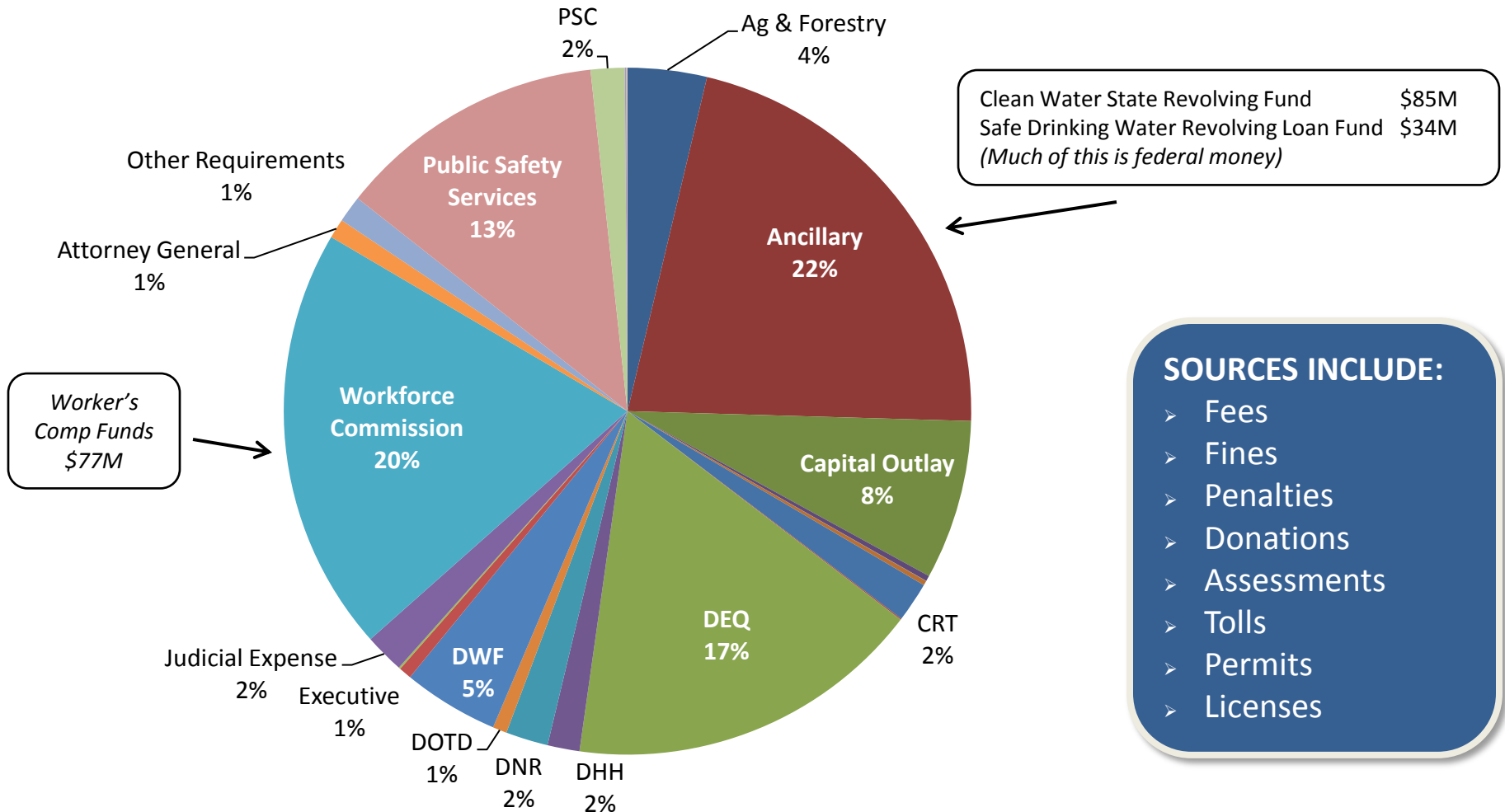
Statutory Dedications



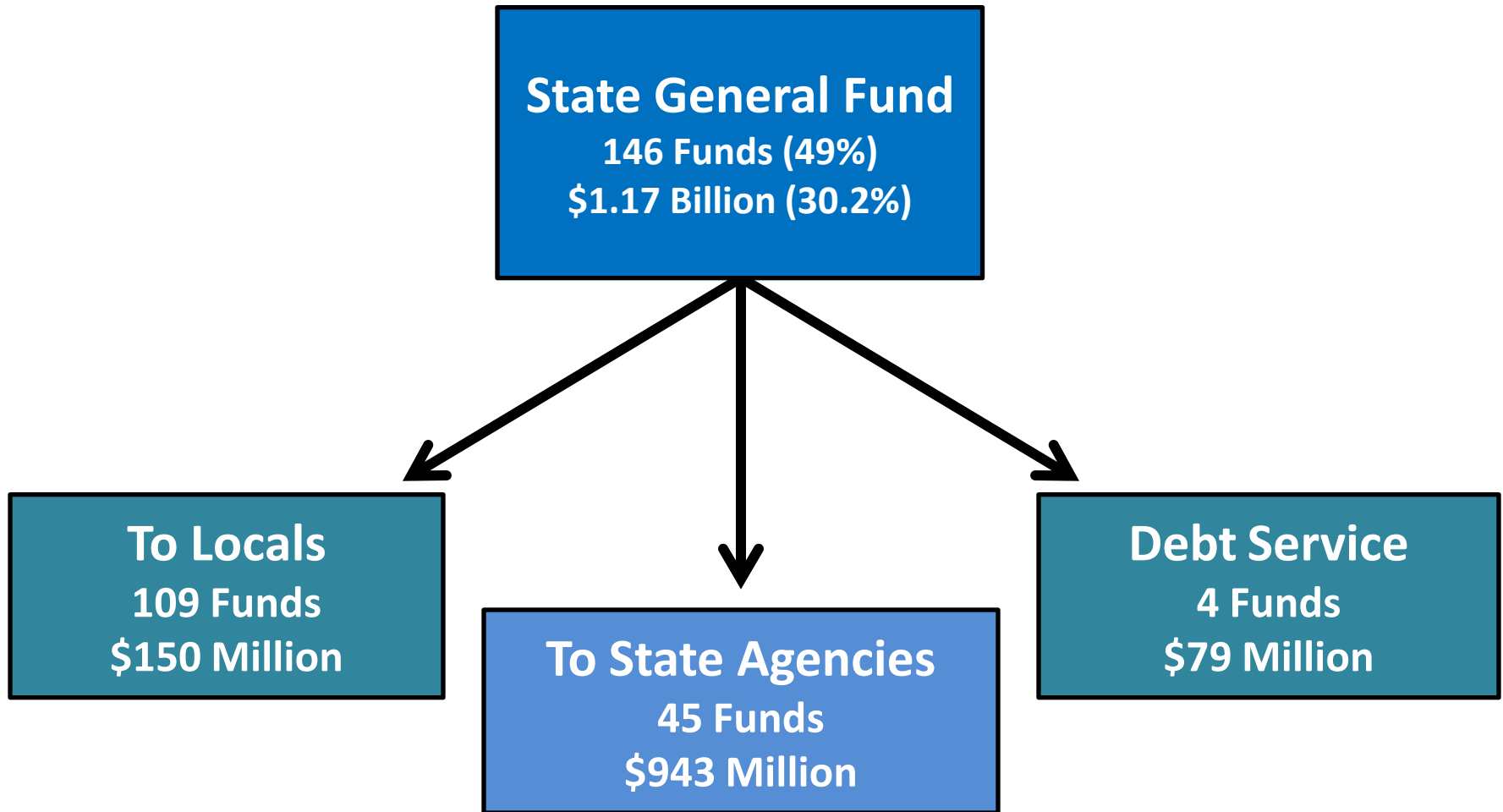
Statutory - Fees, Fines, Penalties

Total Dedications: 129 (44%)

Total Funding: \$556,709,665 (14%)



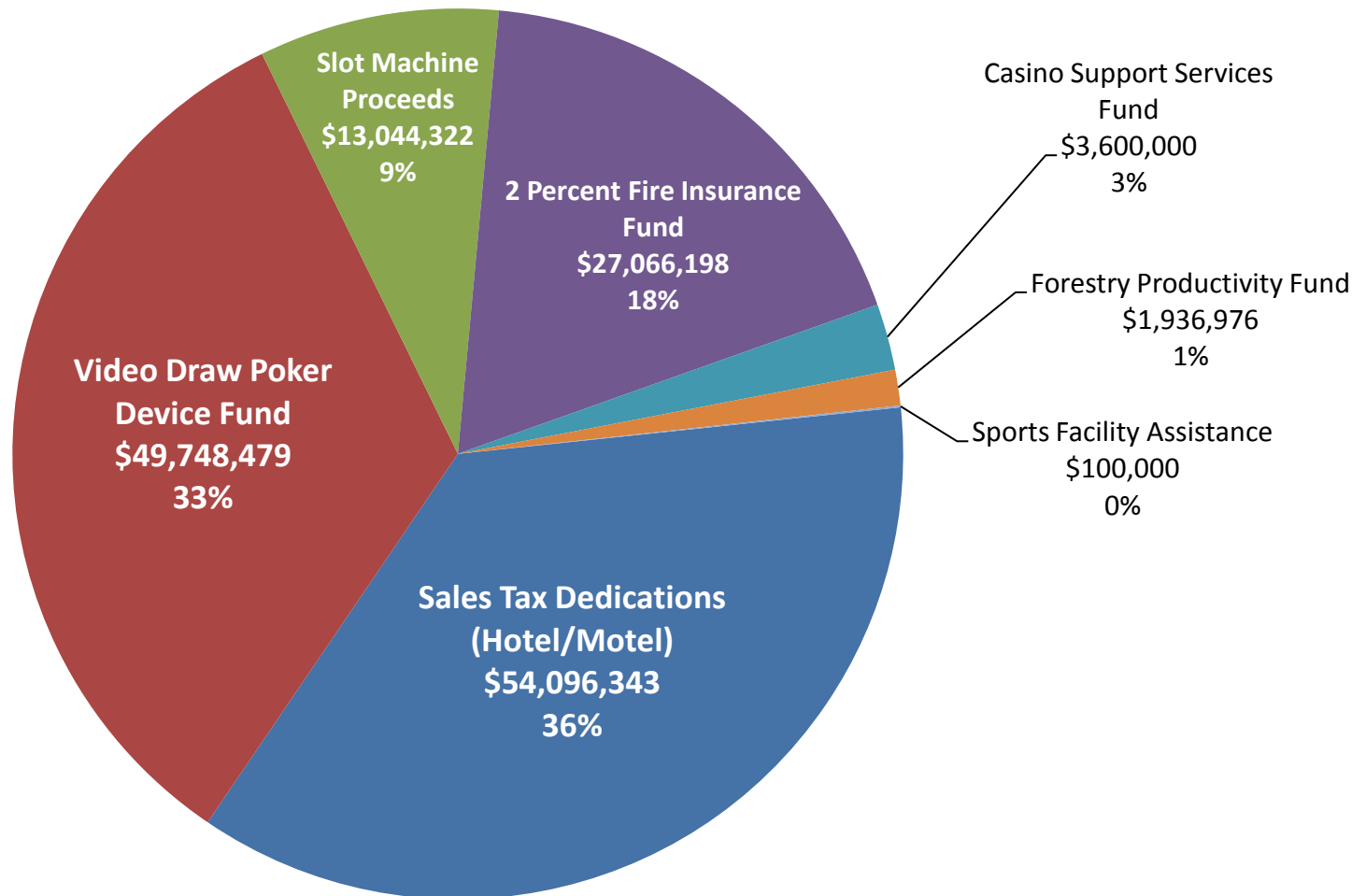
Statutory - State General Fund



Otherwise SGF: Locals

Total Dedications: 109 (37%)

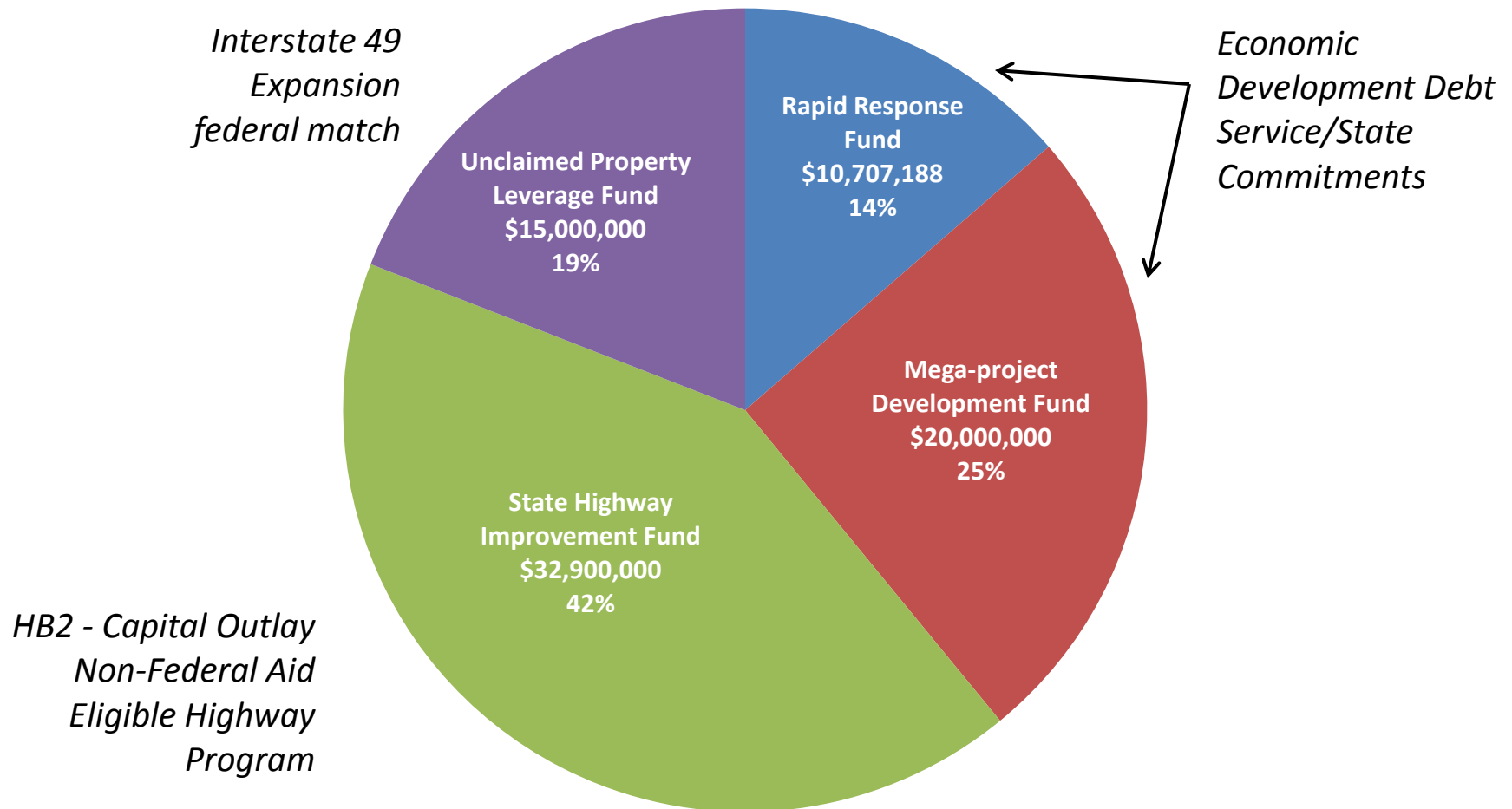
Total Funding: \$149,592,318 (3.8%)



Otherwise SGF: Debt Service

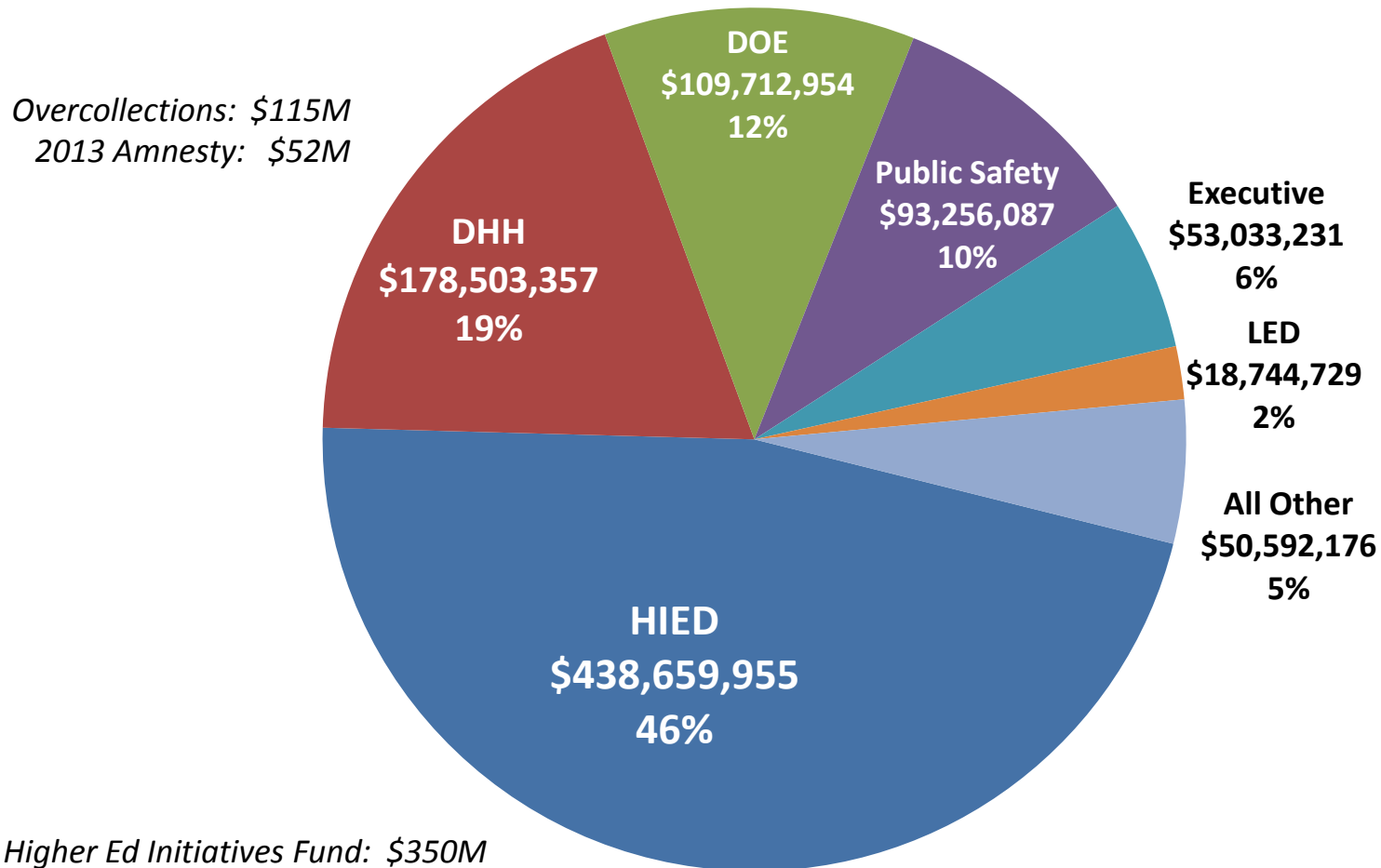
Total Dedications: 4 (1.3%)

Total Funding: \$78,607,188 (2%)



Otherwise SGF: Agencies

Total Dedications: 45 (15%) Total Funding: \$942,502,489 (24%)



Legislative Auditor

Daryl G. Purpera, CPA, CFE



**Presentation to the
House of Representatives
by
Daryl G. Purpera, CPA, CFE
Legislative Auditor**

LLA's Mission



The mission of the Louisiana Legislative Auditor is to foster accountability and transparency in Louisiana government by providing the Legislature and others with audit services, fiscal advice, and other useful information.

Louisiana Government



1. Must receive the funds already owed
2. Must keep the funds rightfully owned
3. Must be accountable for the funds being spent

Receive Funds Owed



State Agencies

- DHH - Human Service Districts failed to collect from third-party payers over \$1M due to Magellan's billing software
- DHH - Failed to recover \$29M in paid claims
- Office of Financial Institutions did not assess any penalties on payday lenders for 8,315 violations.

Receive Funds Owed



State Agencies

- DNR has not required sufficient financial security to plug wells in a growing population of Orphaned Wells
- Office of Conservation failed to assess \$471,000 in penalties
- Of \$12.8M in penalties for failure or late payment of royalties – DNR waived \$5.8M, impacts enforcement and regulatory efforts

Receive Funds Owed



State Agencies

- DNR & LDR lost millions in collections of severance taxes and royalties because of their shortage of auditors
- Severance tax revenue lost of potentially more than \$1.1B

Exhibit 2			
Revenue Loss from Horizontal Well Severance Tax Suspension			
Fiscal Year	Oil	Gas	Total
2010	\$291,000	\$238,748,000	\$239,039,000
2011	1,241,000	234,884,000	236,125,000
2012	7,098,472	264,674,120	271,772,592
2013	7,667,963	227,564,460	235,232,423
2014	25,962,354	140,447,512	166,409,866
Total	\$42,260,789	\$1,106,318,092	\$1,148,578,881
Source: Prepared by legislative auditor staff using LDR's Tax Exemption Budget.			

Receive Funds Owed



State Agencies

- South Louisiana Community College failed to collect \$2.9M in outstanding student accounts
- State Racing Commission failed to distribute \$15M in license fees to the Board of Regents
- Louisiana's oyster lease rates & oyster lease application fees are low compared to other states

Receive Funds Owed



Local Governments

- Local courts do not have effective processes for collecting court costs and fines in judicial districts
- Hospital Service Districts are not aggressively collecting private pay fees for services

Receive Funds Owed



Local Governments

- Under collection of utility payments appears to be widespread in smaller municipalities
- Indigent Defender Boards failed to collect as much as \$5.7M in fees
- City of Harahan failed to collect \$163,475 in property taxes and failed to conduct a tax sale



Keep Funds Rightfully Owned

Keep Funds Rightfully Owned



Medicaid Program

According to the annual financial report, Medicaid expenditures for the fiscal year ended June 30, 2014 totaled \$7.8B:

- \$1.8 B funded by State General Fund
- \$1 B funded by other state funding sources
- \$5 B funded by federal funds.

Keep Funds Rightfully Owned



State Agencies

Medicaid Program

- DHH paid nearly \$2.7M in Medicaid for ineligible, incarcerated individuals
- DHH paid claims totaling \$1.2 million that did not meet federal regulations
- DHH Non-Emergency Medical Transportation program had claims for \$1.6 million that did not have a corresponding claim

Keep Funds Rightfully Owned



State Agencies

Supplement Nutrition Assistance Program (SNAP)

- \$1.3M spent after the participants' death
- \$1,107,740 paid for incarcerated participants
- 322 ineligible persons received approximately \$750,000 in benefits
- DHH Office of Public Health did not monitor the SNAP for Women, Infants and Children (WIC) vendors

Keep Funds Rightfully Owned



State Agencies

- LDR has overpaid the Algiers Economic Development District No. 1 more than \$6.9M in sales tax distributions since the CEA was executed.

Keep Funds Rightfully Owned



Local Government

- District Attorney for 42nd Judicial District's office
- Village of Port Vincent
- Town of Elizabeth
- St. Bernard Recreation Complex, Inc.
- Alternatives Living, Inc.
- Jackson Parish Hospital Service District #1
- Evangeline Parish Sheriff's Office



Accountable for Funds Spent

Accountable for Funds Spent



State Agencies

- DHH failed to require Magellan to submit details on claims that would allow DHH to monitor compliance with Medicaid requirements. As a result, DHH may be reimbursing Magellan for paid claims that do not meet federal regulations.
- For the second time in three years, DHH failed to provide an external quality review (EQR) report for Magellan which impairs DHH's ability to determine if Magellan complied with Medicaid managed care regulations.

Accountable for Funds Spent



State Agencies

- For the fourth consecutive year, DCFS did not maintain and verify all documentation required under the TANF program, potentially subjecting the department to financial penalties from the federal government.
- For the third consecutive year, DCFS did not have complete eligibility and related documentation for clients receiving cash benefits under the federal TANF program, resulting in known questioned costs of \$22,772 for which the State may be liable.

Accountable for Funds Spent



State Agencies

- DHH paid two hospitals \$17 million for uncompensated care costs that did not follow the approved Medicaid state plan.
- Act 191 of the 2013 Regular Session requires, in part, that agencies annually report the return on investment of tax incentives and whether the incentives met their intended purposes. According to the Department of Revenue's Tax Exemption Budgets, the revenue loss from tax incentives claimed in fiscal years 2013 and 2014 for which agencies provided no information or did not comply with reporting requirements totaled approximately \$1.1B and \$1.3B, respectively.

Accountable for Funds Spent



State Agencies

- For the fourth consecutive year, LWC did not adequately monitor sub-recipients of the Workforce Investment Act (WIA) program.
- LDR did not adequately manage the upgrade of the Delta tax information system or the implementation of the Tax Express system, resulting in the untimely deposit and posting of paper checks and errors in converted severance tax records. Issues with the Tax Express system caused more than \$66M million in untimely deposits of tax payments and late postings to the related taxpayer accounts.

Accountable for Funds Spent



Many of the audit issues concern our delivery of Medicaid services.

- Managed care model does not reduce our risk or responsibility.
- States are responsible for the efficient operation of Medicaid programs.

LLA Initiatives



- Center for Local Government Excellence
 - Training seminars for local governments
- Team of experts on Medicaid
 - Potential waste of \$500M in Louisiana
- Annual Report to the Legislature
 - Provides greater details on audits from 2015
 - Provided to all Legislators prior to the Special Session

Recommendation:



- Provide agencies the **tools** to do the job
- Ensure public employees are **trained** to perform the job
- Hold management **responsible** for accomplishing the job



For more information:
www.la.la.gov

Session Timeframe for Requests

Alison Pryor, HFD

Elise Read, HFD

Special Session: The “Call”

The Governor will issue the proclamation ~ or “call” ~ of the special session

Bills introduced in a special session are limited to the “items” included in the governor’s call

The call must be issued at least 7 days in advance of the convening of the special session

The call must contain the date the special session starts and the number of days it can last which cannot exceed 30

Special Session: The Particulars

Unlike Regular Sessions, the call serves as the notice (advertisement in the official journal or prefiling) for local bills, retirement bills, and proposed constitutional amendments

There is no actual deadline for the introduction of bills; however, there is the practical deadline of needing enough days for a bill to complete the legislative process

During a special session, there is no limitation on the number of bills a legislator can introduce

Special Session: How HLS Can Assist You

If you have a concept for a special session bill, TALK TO US NOW so we can help you develop your idea and DRAFT your bill

You will also want to convey your idea to the governor and/or leadership, specifically requesting your idea be included as an “item” in the call

If you like, we can add your bill request to any list HLS prepares for leadership for consideration of inclusion in the call

Once the call comes out, we can assist you in navigating the specifics of the call and drafting legislation that fits within the parameters of the various call items

Contact Information

Louisiana House Fiscal Division

Call 225-342-2440 or visit the HFD website at:

<http://house.louisiana.gov/housefiscal/>

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Legislative Fiscal Office

Call 225-342-7233 or visit the LFO website at:

<http://lfo.louisiana.gov>