



2016
2nd Extraordinary
Session of the
Louisiana Legislature



House Legislative Services
Louisiana House of Representatives

June 24, 2016



2016 2nd Extraordinary Session

State of Louisiana

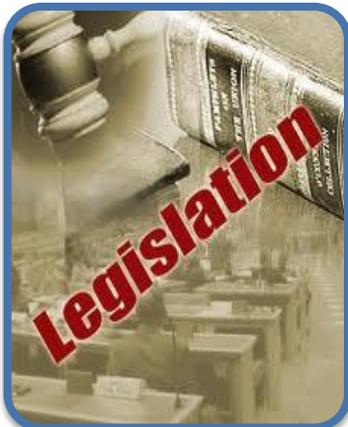
STATE OF LOUISIANA
OFFICE OF THE GOVERNOR
BATON ROUGE, LOUISIANA
PROCLAMATION NO. 70 JBE 2016

By virtue of the authority vested in me by Paragraph B of Section 2 of Article III of the Constitution of Louisiana, I, John Bel Edwards, Governor of the state of Louisiana, HEREBY CALL AND CONVESE THE LEGISLATURE OF LOUISIANA INTO EXTRAORDINARY SESSION to convene at the State Capitol, in the city of Baton Rouge, Louisiana, during twenty-five calendar days, beginning at 4:00 o'clock p.m. on the 14th day of February 2016, and ending no later than 6:00 o'clock p.m. on the 9th day of March, 2016. This extraordinary session is also called to address the necessary adjustments in appropriations as required by Paragraph F of Section 10 of Article VII of the Constitution of Louisiana. The power to legislate at such session shall be limited, under penalty of nullity, to the following specified enumerated objects:

- ITEM NO. 1: To provide for reductions to the ordinary operating expenses of state government for the Fiscal Year 2015-2016.
- ITEM NO. 2: To amend the Constitution relative to deductible items in computing state income taxes.
- ITEM NO. 3: To legislate with regard to the rates and brackets for state income tax.

“Special Session”

- “Called” by the Governor in [Proclamation No. 70 JBE 2016](#), to address the remaining budget shortfall for the 2016-2017 fiscal year.
- The legislature was called to convene for no more than 18 days, starting June 6th and adjourning June 23rd.
- Legislators limited to filing and debating bills that fall within the subjects set out by the Governor’s “call.”



The Numbers

- Total Instruments Filed:
 - 69 House Bills
 - 15 Senate Bills
- Constitutional amendments:
 - 1 constitutional amendment filed

State of the Budget

What Caused the Budget Shortfall?

The original revenue forecast for FY 2016-2017 was \$2 billion short of the amount needed to maintain the same level of services. This was due to a combination of the use of one-time monies, decline in tax revenues, increased Medicaid enrollment and costs, and delayed payments in the Medicaid program.



Revenue Raising During the 1st Extraordinary Session

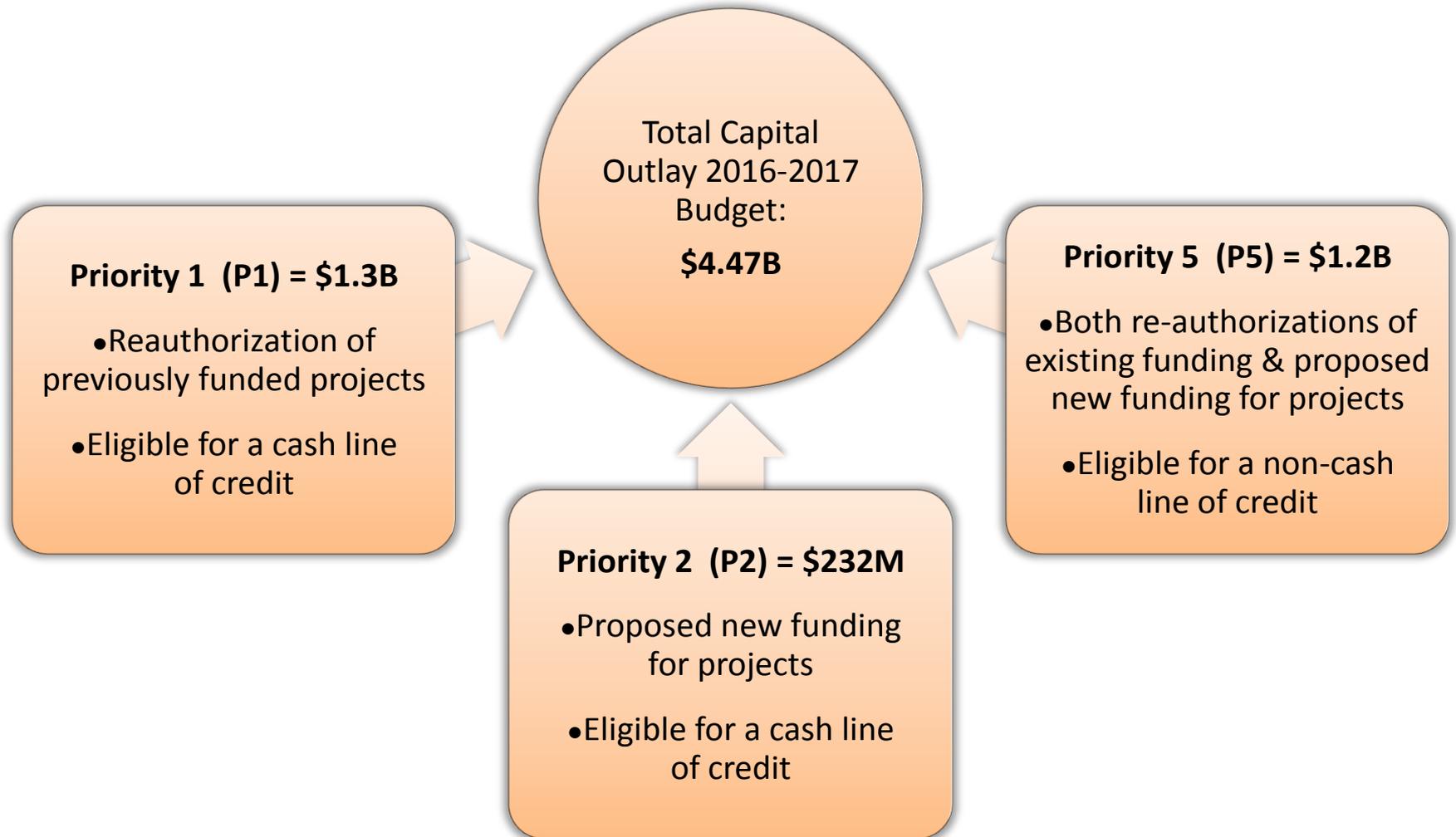
\$1.2 billion in new revenues was raised in the 2016 1st Extraordinary Session to address the budget shortfall. The largest component being a 1% increase in the state sales tax rate until June 30, 2018, suspension of many state sales tax exemptions, and increases in the state excise taxes on cigarettes, beer, and alcoholic beverages. The remaining projected shortfall following this session was approximately \$750 million.



Remaining Shortfall

The administration projected an additional \$150 million in savings from the expansion of Medicaid, leaving an estimated \$600 million deficit. Because revenue cannot be raised in a "general" session, the focus fell to cutting costs and spending reform. A second special session was called, and convened directly following the Regular Session, to consider revenues to address the remaining shortfall.

Capital Construction Budget



Capital Outlay Requests

During the Regular Session,

- [HB 784](#) requires annual reporting to the Joint Legislative Committee on Capital Outlay (JLCCO) of specific information about funded capital outlay projects.

During the 2nd Special Session,

- [HB 52](#) adds additional requirements for FY 2016-2017 as follows:
 - Priority 1 funding shall include highway projects previously authorized and granted non-cash lines of credit.
 - Non-state project applications shall **not** be deemed complete unless:
 - The project has either a fully executed cooperative endeavor agreement or proof of the applicable local match funding;
 - Information is submitted to DOA and the JLCCO by Feb. 1 each year.

Immediate Revenue Raising

[HB 20](#)

Changes the method for calculating corporate income tax (revenue increase)

[HB 25](#)

Reduces the income tax credit for the Citizens Property Insurance Corporation Assessment (\$17M)

[HB 29](#)

Limits the amount of interest people and businesses get back if they overpay their taxes (\$16.7M)

[HB 35](#)

Increases the annual tax on HMOs to 5.5% (\$187M)

[HB 50](#)

Reduces the individual income tax deduction for net capital gains (revenue increase)

[SB 6](#)

Limits the refund of the tax credit for ad valorem taxes paid on certain inventory (\$17.3M)

[SB 10](#)

Limits the inventory tax credit given to businesses that also get an exemption from paying local property taxes (\$57M)

Raw Materials/By-Products

HB 27



- Clarifies the intent of the "further processing exclusion," which excludes the sale of raw materials for further processing into articles of tangible personal property from sales taxes.
- Addresses a Supreme Court ruling that would decrease manufacturers' tax payments to state and local governments.
- The ruling involved a Lake Charles company that bought limestone to limit harmful emissions while making power. When the limestone was used for that purpose, the company ended up with ash, a by-product that it could sell. The company argued that the purchase of the limestone should be exempt from sales taxes under the further processing exclusion.
- No revenue is estimated to be raised or lost.

Supplemental Appropriations

TOPS
\$67.9M
(Brings total funding to 70%)

Higher education
\$59.6M

Medical schools
\$5M
(with federal match = \$13M)

K-12 outside of MFP
\$20M

Voucher program
\$4M

Non-public schools
\$6.7M

DHH
\$42.64M

Public-private partner
hospitals
\$50.5M

DCFS
\$9.6M

Judiciary
\$7.6M

Corrections
\$5M

Local housing of state
offenders
\$7.7M

Restored Tax Exclusions/Exemptions

Admissions to:

- athletic & entertainment events for elementary & secondary schools.
- entertainment events by Little Theater organizations.
- entertainment events, musical performances, & fairs & festivals by nonprofit organizations.

Sales to:

- Boys State of Louisiana, Inc. & Girls State of Louisiana, Inc.
- food banks.
- hospitals that provide free care to all patients.
- volunteer fire departments.

Sales by:

- certain nonprofit entities.
- certain youth-serving organizations.
- parochial & private elementary & secondary schools.

Sales of:

- boats, supplies, fuels, & repairs for licensed commercial fishermen.
- butane & liquefied petroleum gas for private, residential consumption.
- certain goods & services at domed stadiums & publicly-owned facilities.
- certain medical & adaptive equipment.
- educational materials & equipment used for classroom instruction.
- meals by educational institutions, medical facilities, mental institutions.
- membership fees or dues of nonprofit, civic associations.
- room rentals at nonprofit camp & retreat facilities & homeless shelters.