

Task Force on Structural Changes in Budget and Tax Policy

Meeting Minutes

July 15, 2016

I. Call to order

The meeting of the Task Force on Structural Changes in Budget and Tax Policy convened at 9:37 a.m. on Friday, July 15, 2016 in the House Committee Room 5 located on the basement floor of the Louisiana State Capitol Building, 900 North Third Street, Baton Rouge, LA 70802.

II. Roll call

a) The following Task Force Members were confirmed as present:

- Dr. James A. Richardson
- Kimberly L. Robinson
- V. Thomas Clark, Jr.
- Sean Reilly
- Robert Travis Scott
- Randy Roach
- William C. Potter
- Louis Reine

Alternates:

- Camille Conaway - Jason DeCuir
- Jay Campbell - Barry Erwin
- Barbara Goodson - Jay Dardenne

b) Approval of Minutes:

The minutes from the meeting on July 8, 2016 were approved with a correction to the date.

c) Approval of Agenda:

The agenda was unanimously approved as distributed.

III. Agenda Topics

- a) Presentation: Louisiana Tax Commission SCR 6 presentation by Charles Abels

Mr. Abels provided an overview of the Louisiana Tax Commission and their responsibilities. The vision, mission and goals of the LTC were identified. Questions were answered in regards to Homestead Exemption and inventory tax which were asked during the July 7th SCR 6 meeting. After general information was presented on the creation of the tax commission as well as their appointed members and an organizational staff chart was displayed, members asked questions about how assessments are calculated and administered. The agency existing operating budget was also discussed in detail.

During a discussion of local school funding by Ad Valorem taxes on property, State funding for school construction in relation to property tax was discussed in length. Legislative instruments in previous sessions that called for the creation of an Education Facility Study Commission were also discussed.

During a discussion of Homestead Exemptions, the total number of exemptions claimed statewide and also by parish was given. The total statewide ad valorem tax revenue loss due to the homestead exemption and the total ad valorem tax revenue loss do to the exemption by parish were also provided by Mr. Abels. The total number of applicants from 2013 to 2015 was given as well as the number of taxpayers with the homestead exemptions. Other topics which were discussed include:

- Total number of taxpayers reporting taxable inventory statewide
- Total statewide assessed value of taxable inventory
- Assessed value of taxable inventory by parish
- Percentage of ad valorem tax attributable to taxable inventory by parish

- Total number of taxpayers reporting taxable offshore vessels statewide
- Total statewide assessed value of taxable offshore vessels
- Number of taxpayers reporting taxable offshore vessels by parish
- Assessed value of taxable offshore vessels by parish, and
- Percentage of ad valorem tax attributable to taxable offshore vessels by parish

b) Presentation: Local Services and City/Parish Responsibilities of a Consolidated Government presented by Honorable Joey Durel, Former Mayor/President, City/Parish of Lafayette

Mr. Durel briefly discussed his view from a local government perspective over his 12 years as Mayor/President. The benefit of local government being able to sustain themselves and having more local dollars staying local was discussed in length. The local structure of competitor states was discussed as well as the possibility of lowering the percent that donor parishes give back to the state. The impact of industrialized parishes vs. rural parishes was discussed by members. The effects that making changes to the state and local sales tax base would have on local bonds was also identified.

c) Presentation: Responsibilities and Local Services presented by Roland Dartez, Executive Director, Police Jury Association of Louisiana and George Marretta, Tax Specialist, Police Jury Association

Mr. Dartez and Mr. Marretta provided an overview of the functions and responsibilities of the Police Jury Association. Revenues sources, services provided and mandated expenses were also discussed. During a discussion of revenue sharing, Mr. Dartez briefly identified programs which benefit and address the needs of rural areas Other areas that were covered during the presentation were:

- Legislative Advocacy
- Member Services
- Training
- Functions and Services of Parish Government
- Funding of daily operations
- Major Revenue Sources for Parish Government

- Miscellaneous Revenues
- Mandated Expenses at the Local Level
- Judicial Expenses on Parish Government
- Mandated Expenses on Parish Government
- Prohibited Taxes
- Loss of Potential Revenue for Parish Operations

Members also discussed insurance premium taxes, offsetting pensions costs for local employees, the parish road and state trust fund, the allocation of local banking revenues was discussed. The need for more reliability and predictability was identified. The need for parishes to depend on the most stable tax source was expressed. More information was requested by the members to determine who gets those revenues. Mr. Dartez will provide several documents to the members in the next week.

- d) Presentation: Ad Valorem Taxation presented by Honorable Steve Nosacka, Mayor, Town of Gramercy

Mr. Nosacka gave an overview of the role and impact of inventory taxation on local government from his perspective. The importance of structuring debt issues to fund local government projects that support essential services to residents. Bond assessments, interest, and mileages were discussed in length. The need for local governments to remove dependency on state revenue was identified. Total assessed evaluation vs. Debt Limit of bonds was also discussed.

- e) Presentation: Big Picture Community Needs Analysis & Impact to Local Government presented by Travis Woodard, CSRS, Inc. and Honorable Mayor Randy Roach, City of Lake Charles

Mayor Roach provided a general explanation of a community needs assessment study by CSRS that addressed how to deal with growth and expansion. During the Role and function of local government in that process discussed in detail. Mr. Woodard gave an overview of the regional impact study process which models the impacts of the Industrial projects in a study region, documents existing conditions, and identifies concrete impacts to community systems resulting in growth. The importance of have a more holistic approach which encompasses quality services, quality housing and development provided at a local level was emphasized. Other topics highlighted during the presentation were:

- Debt load of local Bonds

- How to prepare school systems to prepare for growth enrollment
- Transit workers vs. permanent resident employees
- Impact to housing
- Demand for social services
- Unintended consequences
- Transportation infrastructure
- How locals can prepare

f) Impact on Education introduced by Scott Richard, Louisiana School Boards Association/Calcasieu Parish Schools

During his introducing, Mr. Richard identified the roles of local government, state government and tax policy play on the overall impact of the education system in Louisiana. Permanate jobs vs. construction jobs and their impact on the local school systems were also addressed.

1. Local Government and Economic Factors in Calcasieu Parish Karl Bruchhaus, Superintendent, Calcasieu Parish Schools

Superintendent Bruchhaus addressed how the demands of taxpayers affect the education industry. Funding, bond issues and dealing with rapid growth and school crowding were discussed. Planning for a facilities master plan which includes research on scope of school system, deferred maintenance, community activity and other aspects of the region was discussed. During a discussion of industrial training programs, members asked questions about growth and specialized training courses offered to high school students. The dedication of funds from bonds vs. funds from tax dollars was also discussed. The audit process used was also discussed.

2. MFP Overview by Beth Scioneaux, Undersecretary , LDOE

Ms. Scioneaux provided an overview of the state's school finance formula, which is developed annually by the SBESE board. The purpose of the formula is to determine the cost of a minimum foundation program of education in the State and equitably distribute State funds to local school systems and schools.

During the presentation, Ms. Scioneaux discussed in length the following topics:

- Adoption and implementation process

- Structure of the formula
- Level 1, Level 2, Level 3 and Level 4 funding
- Student counts
- Base cost per pupil
- Sharing of level 1 total MFP Educational cost
- Historical summary of local revenue
- State and local contributions
- Mid-year student count adjustments
- Use of funds
- Expenditure requirements
- MFP appropriation history
- Budgeting cycle
- Comparison to other states

After questions from members on the topic of federal funding, the allocation methodology of federal dollars was discussed in detail. Factors that are under legislative control were identified. The practices used by other states when allocating their funding was compared to current practices in Louisiana. The challenges of counting attendance and enrollment were discussed. Trend in student data and risk assessments were identified.

3. Interaction Between Local Taxes (property/sales) and State MFP Funding for Public Education by Jim Melohn, CFO, St. Charles Parish School Board

Mr. Melohn briefly discussed the relationship between local revenues and state revenues. The effects of the 10 year exemptions on donor and recipient parishes were addressed. While referencing a chart which included information on projected TRSL and Health Insurance costs for FY 2016-17, Mr. Melohn identified how changes in the MFP has effecting funding. The normal costs, Unfunded Accrued Liability cost, and Health insurance cost breakdown by parish was provided.

g) Follow-up: Corporate Income Tax by David Hoppenstedt, Louisiana Department of Revenue

Mr. Hoppenstedt briefly outlined a handout which answered questions that were asked during the Louisiana Department of Revenue's July 8th presentation to the Task Force. During the presentation, S-Corporate filing information was provided.

IV. New Business / Potential Agenda Items

- a) Agenda topic for July 22, 2016 meeting: Local Governments
- b) Agenda topic for July 29, 2016 meeting: Dedications
- c) Agenda topic for August 12, 2016 meeting: Retirement Systems
- d) No meeting on Friday, August 5, 2016
- e) Scheduling of Small Group meetings

V. Adjournment

The meeting was adjourned at 4:11 p.m.

Minutes submitted by: Marisha Patterson