

Legislative BULLETIN

Public Affairs Research Council of Louisiana, Inc.

Mineral Settlement Windfalls: Blessing or Curse?

Another "boom and bust" era could occur if the state fails to target to nonrecurring purposes amounts it may receive from mineral settlement windfalls.

The state claims it is due large sums from unpaid mineral revenues. One suit involves state claims of almost \$1 billion and another, over \$45 million. Whether the state receives any money and when depends on court decisions or negotiated settlements.

The Revenue Stabilization/Mineral Trust Fund, created by a 1990 constitutional amendment and to become effective after July 1, 1991, is to receive state mineral revenue above \$750 million a year. Interest earnings are to be used to reduce state debt and retirement system liabilities. Mineral revenue from judgments and settlements is not dedicated specifically to this fund; this decision will depend on how the administration classifies such revenue.

Proposed Legislation

HB 23 (Stine), a proposed constitutional amendment, would:

1. Create a Mineral Revenue Audit and Settlement Fund. Money

from settlements or judgments due to underpayment of state severance taxes, royalties, rentals or bonuses would be dedicated to the fund, but the dedication would apply only to those settlements or judgments which total \$5 million or more including interest.

2. Limit use of money in the fund (principal and interest earnings) to:

- Pay off state and Louisiana Recovery District debt early, according to a plan of the State Bond Commission to maximize savings.

- Provide annual or additional payments to liquidate the unfunded accrued liabilities (UAL) of the public retirement systems.

3. Consider money from mineral settlements and judgments as applicable to constitutional dedications of mineral revenue to parishes and the Wetlands Conservation and Restoration Fund, but not to the Revenue Stabilization/Mineral Trust Fund.

A House concurrent resolution (Laborde) is to be introduced to require the state to use mineral settlement money it receives prior to July 1, 1991 to retire debt of the Louisiana Recovery District.

Comment

This proposed constitutional fund and the one recently created are similar in purpose, but there are important differences:

1. The proposed fund is not a trust fund which would preserve the principal and use interest earnings. All money in the fund from mineral judgments or settlements could be spent for the stipulated purposes of reducing state indebtedness.

2. Money in the proposed fund could be used to retire debt of the Louisiana Recovery District which technically is not "state" debt. Money in the Revenue Stabilization/Mineral Trust Fund cannot be used to pay off this debt.

Governors now can decide if mineral revenue from judgments and settlements would go to the Revenue Stabilization/Mineral Trust Fund, or to the state general fund and perhaps be used to increase the level of state operating costs. HB 23 and the House resolution would prevent misuse of this money by specifically dedicating

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it to reduction of state indebtedness, which is sizable. The state's UAL of the four state-funded retirement systems approximates \$6 billion. The state's outstanding bonded debt (principal only) was about \$6 billion on June 30, 1990, including debt of the Louisiana Recovery District.

Early reduction of the state's indebtedness would free state revenues committed to these purposes, further upgrade the state's bond rating and reduce interest costs. However, the state must act prudently to assure these actions are not negated by incurring huge new debts.

HB 23 proposes a valid use of windfall mineral settlement money. Other valid purposes would be to create another trust fund for public higher education, assure funding for maintenance/repair of state buildings, or dedicate the money to the Revenue Stabilization/Mineral Trust Fund.

Superboard for Public Higher Education: Solutions or New Problems?

A single board for higher education could provide new leadership and direction, or create new problems.

There are two types of statewide boards for higher education. The single governing board is the oldest and most powerful. A coordinating board over other boards may be "advisory" or "regulatory." There are 23 states with a single governing board and 23 states with a coordinating board. Four states have only a planning mechanism. (See Figure 1.)

Louisiana has a regulatory coordinating board--the Board of

Regents--and three management boards--LSU, Southern and Trustees. The first coordinating board was established in 1968 and its powers have been strengthened. Regents has eliminated a number of overlapping and weak graduate programs, but most had few students and fewer graduates. Its current objective is to formulate a master plan which defines the role, scope and mission of each public institution of higher education. Regents has devised a funding formula, but it has not been fully funded.

Higher education institutions allocated to the three management boards run the gamut from two-year colleges to universities granting a variety of

doctorate degrees; there is no "system."

Proposed Legislation

Four proposed constitutional amendments would create a single board for public higher education. SB 1, SB 18 and HB 120 would replace the Board of Regents with a Board of Higher Education and abolish the three management boards. HB 153 would retain the Board of Regents, abolish the three management boards, and delegate management responsibility to institution heads. (See Table 1.)

All four proposals would retain authority now held by the Board of Regents and expand it. Authority retained includes eliminating or modifying existing degree programs, departments or divisions of instruction; disapproving or modifying proposed programs; studying need for new institutions subject to legislative approval; and formulating a master plan including a formula for equitable distribution of funds.

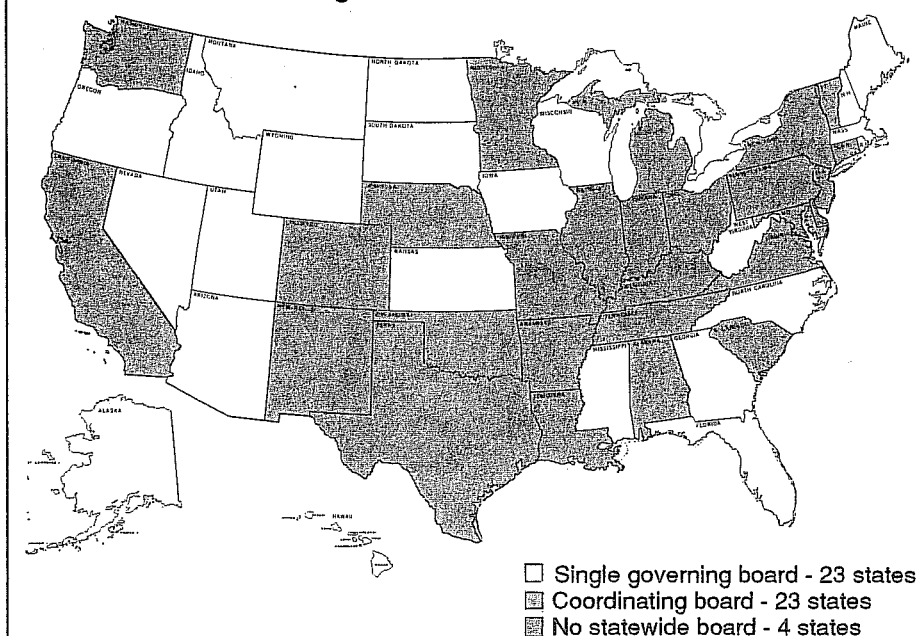
SB 1, SB 18 and HB 120 would grant the single board added authority to:

- Employ the president of the public higher education system, other officers and employees of the board, and the chancellor of each public institution. All would serve at the pleasure of the board.

- Approve operating and capital budgets for each institution, allocate available funds and revise institution budgets.

- Convert an institution to a shorter course of study.

FIGURE 1
Public Higher Education Governance



SOURCE: Education Commission of the States, November 1987.

TABLE 1
Proposed Single Board for Higher Education

Bill No.	Author	Board Membership ^a		Advisory Boards for Public Institutions
SB 1	Hainkel	10 8 1 1 <u>1</u> 21	Gubernatorial appointees Legislative appointees by legislators residing in each congressional district Appointed by House Appointed by Senate Student member	As determined by single board
SB 18	Bares	21 <u>1</u> 22	Gubernatorial appointees Student member	As determined by single board
HB 120	Hebert	17 8 <u>1</u> 26	Head of each four-year public institution Gubernatorial appointees for each congressional district Student member	As determined by single board
HB 153	Orr	15 <u>1</u> 16 ^b	Gubernatorial appointees; at least one, no more than two from each congressional district Student member	For each public institution; 11 members, nine gubernatorial appointees from 18 nominees of institution head; one, head of faculty senate; one, head of student government association ^c

a Appointees serve six-year staggered terms unless serve ex officio or student member who has one-year term.

b Present membership of Board of Regents.

c Three-year staggered terms for gubernatorial appointees.

● Study expanding, closing or merging institutions, subject to legislative approval.

● Devise a "strategic" action plan instead of a master plan, which would include the defined role, scope and mission of each institution.

● Assign a category as to the type of each institution so that financing and faculty salaries could be compared to similar institutions in other states.

● Name institutions, buildings, centers and other campus facilities.

HB 153 proposes a somewhat different approach. The Board of

Regents would be retained and given authority to appoint heads of institutions; determine the role, scope and mission of each institution and their funding needs; and devise a procedure to distribute funds equitably. Management authority would be delegated to the chief executive officers of each institution unless Regents was granted some specific management authority.

Comment

Organizational structure will not guarantee quality higher education nor economies by staffing one board rather than several. Some states with a single governing board have outstanding public institutions. The same

is true of states with a coordinating board, some merely advisory and others with considerable authority.

HB 153 proposes an interesting approach. The Board of Regents would remain, but as a single board. Its powers would be more limited than the other three proposals.

A single board could expedite achieving a more rational, quality system of public higher education in Louisiana than the current multi-board arrangement, but its success would depend on the calibre of people, the level of funding, and insulation from unwise political decisions forced on the board by a governor or the Legislature.

Too Many Local Sales Tax Collectors

Businesses have an administrative nightmare with 207 separate local sales tax collectors.

Three basic collection approaches are employed in Louisiana parishes:

Type of Collection	Number of Parishes	Number of Collectors
Consolidated	27	25
Partial Consolidation	13	48
No Consolidation	24	134
TOTAL	64	207

Three proposed constitutional amendments would centralize the collection of local sales taxes--two at the parish level and one at the state level.

HB 93 (Reilly) would require that all locally levied sales taxes be col-

lected by a single collector for each parish or multi-parish area, as provided by law.

SB 34 (Nelson) would require local taxing bodies in each parish to agree to a single sales tax collector by July 1, 1992. Otherwise, the Legislature would provide for a central collection commission by general law or alternative central collection methods for individual parishes. A local body which did not levy a sales tax could not be the tax collector unless all the taxing bodies approve.

SB 37 (Osterberger) would repeal local authority to collect sales taxes and require the Legislature to provide for state collection of all local sales taxes by January 1, 1993. A fee could be charged up to 1.5% of collections. Procedures would be established by general law.

Comment

Tax collectors for individual localities argue they can do a better job than a central agency in locating taxpayers, but their main concern appears to be in protecting jobs. While the cost of sales tax collection typically runs 1%-2% of collections, a 1979 PAR study found some smaller unit costs were as high as 23%.

Of the two proposals for single parish collectors, SB 34 offers a lengthy provision designed to allay various local concerns, but it appears to preclude the use of more multi-parish collectors. HB 93, more appropriately, offers a brief constitutional requirement of a single collector for each parish or multi-parish area and leaves the details to be provided by law. A companion act, HB 92, would implement the

provision in a manner similar to the lengthier amendment option.

A potential problem with SB 34 and HB 93 is that they both require sales taxes levied locally to be collected by local collectors. This would include taxes on motor vehicles, which now are centrally collected by the state.

Single parish collectors would be an improvement, but still would permit up to 64 local collection agencies. PAR has recommended the state collect local sales taxes. State collection would be complicated by the variety of local tax rates and exemptions, but it could be accomplished and with greater economy than the present system. SB 37 would implement this recommendation and assure local taxing bodies that collection costs would not exceed 1.5%.



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