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PUBLIC AFFAIRS RESEARCH
COUNCIL OF L.A., INC.

Guide to the Proposed Constitutional Amendments

October 16, 1993

VOTER DECISION

No. 1 Legislative Sessions

A vote *for* would mandate shorter, fiscal-only legislative sessions in alternate years; limit to five the number of bills a legislator could introduce once a session begins; alter deadlines for bill prefilings and introduction, and final adjournment; and leave a session's final days for concurrence and conference committee reports. A vote *against* would continue the current structure of annual 85-day general sessions.

No. 2 State Debt Limit

A vote *for* would give constitutional status to a debt reduction plan that would limit state borrowing so that by fiscal 2003-04, no more than 6% of state revenues would be spent annually on debt service payments. A vote *against* would retain this debt reduction plan (enacted in 1993) in the statutes, subject to change by majority legislative vote.

No. 3 Feasibility Studies/Spending Limit

A vote *for* would require feasibility studies for all capital outlay projects and specify those revenues to be included in calculating the state expenditure limit. A vote *against* would allow capital outlay projects to be

budgeted without feasibility studies and leave in question the revenues to be included in the expenditure limit calculation.

No. 4 Nonrecurring Revenues

A vote *for* would stop the use of nonrecurring revenues for recurring expenses by limiting their use to early payment of state debt. A vote *against* would leave a similar statutory limit, effective beginning in fiscal 1994-95, subject to change by majority legislative vote.

No. 5 Agency Debt Costs

A vote *for* would require that debt service payments for capital improvements be reported in the governor's proposed state budget by budget unit. A vote *against* would leave the method of reporting debt service to the discretion of the governor and the Legislature.

No. 6 Mobile Home Tax Exemption

A vote *for* would extend the constitutional homestead exemption to owner-occupied mobile homes and other residences located on land owned by others. A vote *against* would continue a statutory property tax credit, similar to a homestead exemption, for such homes.

No. 1 Legislative Sessions

Current Situation: The Louisiana constitution contains specific mandates for legislative sessions, i. e., date of convening, session length, deadlines for introducing bills, and a restriction on levying new or increasing existing taxes in odd-numbered years. (See Tables 1 and 2 for details.)

Proposed Change: The amendment would change the way the Legislature currently functions.

Table 1 reflects the differences in legislative scheduling that could occur under the proposal.

Table 2 lists the substantive changes that would occur if the amendment passes.

Sessions held in *even-numbered* years would be shortened and restricted to consideration of legislation to enact appropriation bills; implement a capital budget; levy or authorize a new tax; increase an existing tax; affect tax exemptions, exclusions, deductions, reductions, repeal or credits; and issue bonds.

Regular sessions in *odd-numbered* years would be general in nature but

most state tax issues would be excluded. Taxes could, however, be reduced or repealed, and bonds issued. For example, taxes apparently could be reduced by lowering rates, but not by changing exemptions, exclusions, deductions or credits, which could be done only in even-numbered years.

Each legislator could introduce only five bills once the session convenes, unless changed by joint legislative rule. All other legislation would have to be prefiled. Measures exempt from the five-bill limit would include the general, judicial, legislative, supplemental, revenue sharing and ancil-

TABLE 1
Legislative Scheduling Changes

<u>Annual Regular Sessions</u>	<u>Current</u>	<u>Proposed</u>
Date of Convening		
Even-Numbered Years	Noon; last Monday in March	Noon; last Monday in April
Odd-Numbered Years	Noon; last Monday in March	No change
Time of Adjournment		
Even-Numbered Years	Midnight; 85th calendar day	6:00 p.m.; 45th calendar day
Odd-Numbered Years	Midnight; 85th calendar day	6:00 p.m.; 85th calendar day
Deadline for Prefiling Bills		
All Years	Up to Monday convening	5:00 p.m.; Friday prior to Monday convening
Deadline for Introducing Bills		
Even-Numbered Years	Midnight; 15th calendar day after convening*	Midnight; 10th calendar day after convening
Odd-Numbered Years	Midnight; 15th calendar day after convening*	Midnight; 30th calendar day after convening
Deadline for Final Bill Passage		
Even-Numbered Years	Final adjournment	Midnight; 27th legislative day**
Odd-Numbered Years	Final adjournment	Midnight; 55th legislative day**
* Two-thirds favorable vote of both houses allows bills to be introduced after deadline.		
** Unless changed by approval of two-thirds favorable vote of both houses; measures suspending laws are exempt; allows remaining days to be used for concurrence in amendments and consideration of conference committee reports.		

lary appropriation bills; capital outlay bill; and omnibus bond authorization bill.

Comment: The proposal attempts to alleviate some of the pressure faced by lawmakers during regular sessions in dealing with numerous pieces of legislation and timeframes that can result in hasty decisionmaking. Limiting the length and subject matter of sessions every other year, and placing

limits on the number of bills introduced and deadlines for prefiling and introduction offer the Legislature an opportunity to better manage its workload. Limiting the last few days of a session to conference committee reports and concurrence could eliminate hurried, last-minute consideration of bills on final passage.

While more than 3,200 bills were introduced during each of the past two

regular sessions of the Legislature, fewer than 20% of those were prefiled. By limiting authors to five bills each after the session begins, it could be assumed that most legislation would be prefiled. The proposal allows legislators no option for late introduction of bills following the mandated deadlines.

The amendment would restrict sessions in even-numbered years to tax

TABLE 2
Major Changes in Legislative Sessions

<u>Annual Regular Sessions</u>	<u>Current</u>	<u>Proposed</u>
Length of Session		
Even-Numbered Years	60 legislative days* in 85 calendar days	30 legislative days* in 45 calendar days
Odd-Numbered Years	60 legislative days* in 85 calendar days	No change
Session Topics		
Even-Numbered Years	All matters	Specific fiscal matters
Odd-Numbered Years	Non-tax, with exceptions	Non-tax, with exceptions
Limit on Bills Per Author		
All Years	None	Five after session begins**
* A legislative day is a calendar day on which either house is in session.		
** HCR 336 exempts certain bills from the five-bill limit; Legislature could alter limit by joint rule of both houses.		

and fiscal matters only. The shorter, fiscal-only sessions would allow legislators to concentrate exclusively on revenue and expenditure issues.

The inability to consider general matters (i. e., education, busi-

ness/labor, environment and health care) every year could result in delays in dealing with pressing issues or require special sessions.

If this amendment passes, the first fiscal-only regular legislative session

would convene the last Monday in April 1994.

Legal Citation: Act 1041 (Senator Kelly) of the 1993 Regular Session, amending Article III, Section 2 (A).

No. 2 State Debt Limit

Current Situation: The constitution does not limit the amount of debt the state can issue nor the amount of debt service it can pay. Until recently, two statutory limits applied only to general obligation debt, which is about half the state's total debt. As of June 1992, the state was at 35.9% of the bond authorization limit and 70.3% of the debt issuance limit.

A new debt limit statute (Act 813 of 1993, effective July 1, 1993) limits the share of state revenues which may be used to service all net state tax-supported debt to 13.1% for fiscal 1993-94. The act provides a decreasing limit each year until it reaches 6% in fiscal 2003-04 and remains at that level for future years.

Act 813 defines "net state tax supported debt" broadly to include general obligation debt, lease-supported debt for immovables and revenue bonds for which the state is legally liable, directly or indirectly. The definition excludes short-term revenue-anticipation borrowing and debt related to the unemployment insurance program.

From fiscal 1982-83 through 1992-93, \$3.4 billion in new state tax-supported debt was issued--an average of \$309 million a year. (See Figure 1.) Under a self-imposed limit, the State Bond Commission has issued no more new state debt than the amount retired each year since 1987, with the exception of the nearly \$1 billion in Louisiana Recovery District (LRD) bonds issued in 1988 to eliminate an accumulated state operating deficit.

Proposed Change: The Legislature would be required to limit the amount of net state tax-supported debt that could be issued in any fiscal

year so that by fiscal 2003-2004, the amount needed to service outstanding net state tax-supported debt would not exceed 6% of annual state general fund and dedicated fund revenues.

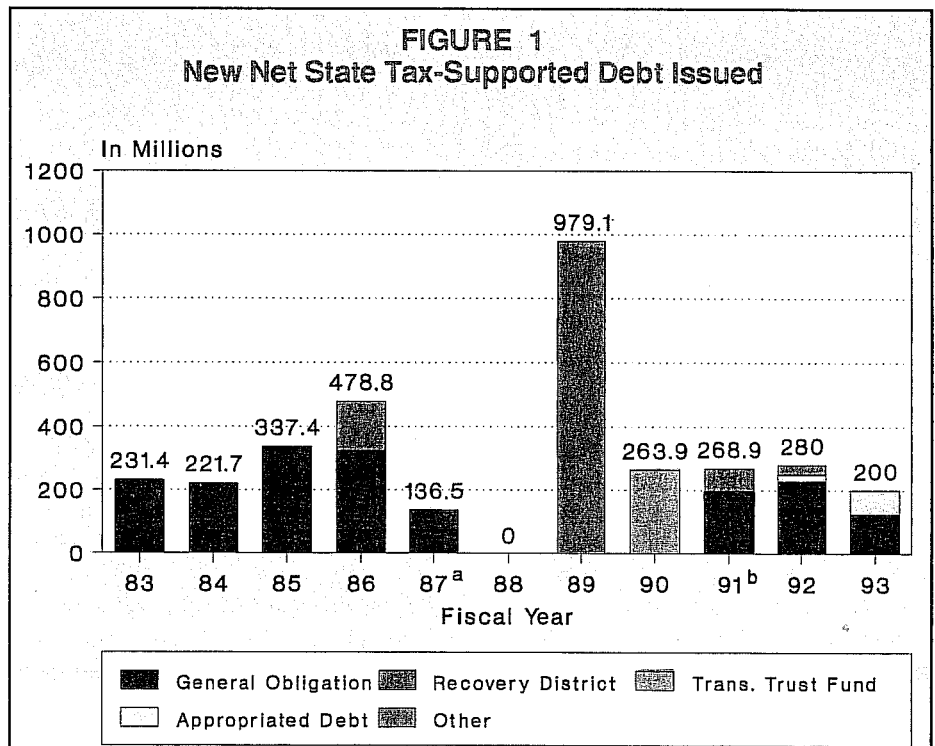
The debt service amount would include payments of principal, interest and sinking fund requirements. "Net state tax supported debt" is to be defined by law; the definition could be changed only by specific legislation receiving a favorable two-thirds vote of each house of the Legislature.

The debt limit established could be changed by passing specific legislation with a two-thirds vote of each house of the Legislature. The limit could be exceeded by passing specific legislation for a project or related

projects with a two-thirds vote of each house. The limit would be increased as necessary to accommodate any projects approved to exceed the limit, but only as long as there were bonds outstanding for the projects.

Other than as provided in these exceptions, the State Bond Commission would be prohibited from approving the issuance of any net state tax-supported debt whose debt service requirements would cause the limit to be exceeded.

Comment: Louisiana presently has one of the highest levels of state bonded debt in the nation--about \$4.7 billion, or over \$1,100 per person. Debt payments will cost the state \$716 million this year and over \$600 million in each of the next three years, even if no new debt is issued. (The



a Excludes \$1.3 billion issued for unemployment compensation.
b Excludes \$78 million equipment lease.
SOURCE: Louisiana State Bond Commission.

No. 3 Feasibility Studies/Spending Limit

drop in debt service will occur because \$1.3 billion in bonds to repay federal loans to the unemployment insurance fund will be defeased this year.)

A fifth of the state's debt is to pay for operating deficits in past years. Louisiana has the lowest state bond rating in the nation, which means higher interest rates must be paid on new issues.

The specific annual debt limits and definition of debt required by the proposed amendment already have been enacted into statute by Act 813 of 1993. If the proposed amendment fails, the limits in Act 813 would remain--but in statutory form only--and would be subject to change by simple majority vote of the Legislature.

The proposed amendment would strengthen the statutory limits by requiring a separate bill to change or exceed them, enacted by two-thirds vote of each house. While the two-thirds vote to override the limit is the same as that required to authorize bonds in the first place, the requirement for a separate bill is intended to focus attention on any override attempt. The amendment would set a firm 6% target and target date.

The amount of new debt which could be issued each year under the limits enacted would depend on the interest rate. An estimated \$212 million in bonds could be issued each year, assuming an average rate for the past decade--7.4%, or \$256 million a year at 5.2%. In comparison, over the next five years, an average of about \$400 million in bonds will mature and be retired each year.

If debt limit overrides are kept to a minimum, this amendment could reduce substantially the state's outstanding long-term debt and cut in half the share of state revenues currently required to pay debt service.

Legal Citation: Act 1044 (Senator Johnson) of the 1993 Regular Session, amending Article VII by adding Section 6 (F).

Current Situation: Each year, the governor submits a proposed five-year capital outlay program to the Legislature and recommends projects for first-year funding. The state's capital budget law details the procedures to be followed and requires feasibility studies for all projects included in the capital outlay budget. However, projects may be added to the budget which have not undergone a feasibility study if language is added specifically exempting them from feasibility requirements. The capital budget law requires proposed projects be prioritized within each agency.

In 1990, a constitutional amendment set a state spending limit designed to confine the growth in government to the growth of the state's personal income (e. g., the state's ability to pay). Appropriations by the Legislature from the state general fund and dedicated funds are not to exceed the calculated expenditure limit for a fiscal year.

The 1990 amendment established fiscal 1991-92 as the "base year" in which the limit would be directly determined by actual appropriations from the general fund and certain dedicated funds. For subsequent fiscal years, a "new" limit is determined by applying a growth factor, which is the average annual change in state personal income for the three prior calendar years.

In computing the expenditure limit, the Joint Legislative Committee on the Budget and the Commissioner of Administration have excluded federal funds, interagency transfers, nonappropriated items (e. g., debt service), and fees and self-generated revenues. The 1992-93 budget would have exceeded the expenditure limit by \$142 million had fees and self-generated revenues been included.

Proposed Change: Before the first year of the five-year capital outlay program is implemented in the comprehensive capital budget, each

capital improvement project would have to be evaluated through a feasibility study. The feasibility study would include an analysis of need and estimates of construction and operating costs.

The Legislature would be required to enact procedures, standards and criteria for evaluating the feasibility studies and a schedule for submission. The requested projects of the capital outlay program would be listed in priority order on a statewide basis according to the evaluations of the feasibility studies.

The proposal specifically would define "state general fund and dedicated funds" as all money required to be deposited in the state treasury, except money from the federal government, self-generated funds of colleges and universities, parish severance tax and royalty allocations, and interagency transfers. All other fees and self-generated revenues which the state collects would be included in determining the expenditure limit. This new definition of "state general fund and dedicated funds" would apply to the expenditure limit beginning in fiscal 1995-96.

Comment: The feasibility study requirement for the capital outlay program would ensure that all capital outlay projects are evaluated prior to inclusion in the budget and are prioritized on a statewide basis. Act 645 (capital outlay bill) of the 1993 Regular Session included 27 projects specifically exempted from the feasibility study requirement.

The proposed amendment would resolve the problem of interpreting what funds should be included in the state's expenditure limit. By including fees and self-generated revenues (except college and university funds) in the computation of the expenditure limit, such monies could not be used to circumvent the purpose of the expenditure limit. The proposed exclusions would remove funds over

which the Legislature has no control and, in the case of interagency transfers, avoid double counting.

Legal Citation: Act 1045 (Representative Steve Theriot) of the 1993 Regular Session, amending Article

VII, Sections 10 (C), 11 (A) and (C); and adding Section 10 (J).

No. 4 Nonrecurring Revenues

Current Situation: The Revenue Estimating Conference is charged with estimating all revenues the state can expect to receive for the fiscal year, *but is not required to distinguish between recurring and one-time revenues.*

The Legislature often treats one-time revenues in the same manner as recurring revenues, using them to fund recurring expenditures. The constitution does not prohibit this practice. Nonrecurring revenues have included surplus funds, bond proceeds, special fund reserves and settlements, among other sources.

A 1993 statute requires that, beginning in fiscal 1995-96, the revenue forecast designate any nonrecurring revenues and limits their use to capital outlay, early retirement of state bonds, or expenses the Legislature deems extraordinary and nonrecurring.

Proposed Change: The amendment directs the Revenue Estimating Conference to identify in each estimate those revenues which are nonrecurring. Monies designated as nonrecurring then could be appropriated only to retire or pay off state bonds earlier than scheduled.

Comment: In each of the last three gubernatorial terms, nonrecurring

revenue sources were used to fund ongoing expenses for the last year of an outgoing administration. The incoming Legislature and administration then were left with the problem of replacing the nonrecurring funding sources or cutting the budget.

The 1993 budget crisis can be attributed partly to the use of nonrecurring revenues and postponement of expenses in the prior year. As shown in Table 3, \$321 million in one-time monies were used to help balance the fiscal 1992-93 budget.

The amendment requires nonrecurring revenues to be identified, but does not define them. However, Act 668 of 1993 statutorily defines such revenues to include undesignated general fund balances, and to exclude revenues available for the prior two fiscal years or to be available for the next two fiscal years.

The proposed change could assist in the early retirement of state bonds and yield interest savings for the state. However, the proposal would restrict legislative discretion to use one-time monies to temporarily avoid spending cuts or tax increases.

Legal Citation: Act 1042 (Senator Hainkel) of the 1993 Regular Session, amending Article VII, Sections 10 (B) and (D).

No. 5 Agency Debt Costs

Current Situation: Currently, all general obligation debt service for the state is shown in the governor's proposed state budget as one entry under "Non-Appropriated Requirements of State Government, State Debt Service." The total estimated for fiscal 1993-94 is \$364,775,000. This method of reporting does not detail the debt service costs of facilities and equipment for specific budget units such as a prison, hospital or university. Some other types of debt service, such as lease-payment, are reported by budget unit but are obscured when combined with other expenditures in line items such as "total operating expenses" or "total other charges."

Neither the constitution nor statutes presently address the method of reporting debt service in the budget.

Proposed Change: This amendment would require the governor's proposed state budget to indicate the amount to be budgeted that year for debt service on capital improvements for each budget unit.

Comment: Under the current method of reporting, the amount spent for each governmental entity on debt service is not easily determined. Providing data on the debt service

TABLE 3
Some One-Time Revenues Used to Support Recurring Spending in the Last Three Years

<u>Fiscal Year</u>	<u>Source</u>	<u>Amount</u> <u>(In Millions)</u>
1990-91	General Fund Balance (surplus)	\$ 103
1991-92	General Fund Balance (surplus)	\$ 353
1992-93	Medicaid Disproportionate Share Reimbursements	\$ 58
	Louisiana Recovery District Reserves & Refinancing	\$ 173
	Lottery Surplus	\$ 20
	Revenue Settlements	\$ 29
	Medicaid Audit Settlements (estimate)	\$ 80
	Hazardous Waste Tax Escrow	\$ 19

associated with each budget unit could help to show the full cost of operating an agency.

Legal Citation: Act 1043 (Senator McPherson) of the Regular Session of

1993, amending Article VII, Section 6 (B).

No. 6 Mobile Home Tax Exemption

Current Situation: The constitution presently exempts from most property taxes the first \$7,500 of assessed value on a homestead and allows the Legislature to provide similar tax relief to "residential lessees" through tax credits or rebates.

A person who owns and lives in a mobile home on his own property is eligible for a homestead exemption. However, a mobile home located on land owned by another person does not meet the definition of a homestead, strictly interpreted.

A 1991 act defined "residential lessee" as an owner-occupant of a residence, including mobile homes, on land the person does not own, and granted these homeowners a statutory property tax credit against any taxes levied on such homes, up to an assessed value of \$7,500.

Proposed Change: This amendment would extend the homestead exemption to cover a primary residence, including a mobile home, which serves as an owner-occupied home, regardless of who owns the land upon which it is located. The exemption would not apply to the land itself if owned by another.

Comment: Mobile homes have been taxed inconsistently. Due to their mobility or to lax assessment practices, many never have been assessed and placed on the tax rolls. Most parish assessors reportedly have either granted homestead exemptions for mobile homes on rented land or simply ignored them. In a few parishes, however, such homes have been denied exemptions and fully taxed.

Mobile homes frequently are located in mobile home parks, on rented land or on land owned by relatives. In recent years, the constitutionality of granting homestead exemptions on

such homes has been questioned. The 1991 residential lessee tax credit law was enacted to give such homes protection equal to the exemption.

The tax credit, however, is subject to legislative change and possible constitutional challenge. It has not yet been implemented and may prove difficult to administer. The responsibilities of the sheriff and assessor presently are unclear. Because the tax credit applies to "any ad valorem tax," it apparently covers municipal taxes generally not covered by the homestead exemption.

The proposed amendment would assure owners of mobile homes, condominiums and other residences located on land owned by others a permanent tax break similar to that

granted other homeowners. This amendment would replace the tax credit, except on municipal millages.

The amendment would legitimize existing tax practices in most parishes and thus would have little or no immediate fiscal impact. Few mobile homes would exceed the \$75,000 maximum fair market value covered by the homestead exemption. Thus, the proposal would exempt fully most mobile homeowners from property taxes except municipal millages and those paid indirectly through land rents.

The homestead exemption presently covers condominiums, except for areas held in common. The proposal would extend the exemption to condominium owners who do not own or share ownership of the land.

Voting on Louisiana Proposed Constitutional Amendments

	Number of Amendments		Average Percent of Registrants Voting
	Proposed	Approved	
1921 Constitution	802	536	--
1974 Constitution			
November 7, 1978	1	1	29.9
October 27, 1979	3	3	37.5
November 4, 1980	4	4	55.7
September 11, 1982	8	4	24.9
October 22, 1983	3	3	44.2
November 6, 1984	5	0	53.7
September 27, 1986	7	2	39.3
November 21, 1987	5	5	32.3
October 1, 1988	1	0	27.5
April 29, 1989	1	0	46.8
October 7, 1989	13	5	28.3
October 6, 1990	15	14	46.9
October 19, 1991	8	5	47.1
October 3, 1992	5	2	29.4
November 3, 1992	7	0	53.7
Total	86	48	

SOURCE: Official Promulgation, Secretary of State

A mobile home on rented land, used as a camp or second home, would not be eligible if the owner claimed a homestead exemption on another residence.

Voters rejected a similar proposed amendment in 1992.

Session, amending Article VII, Section 20 (A) (1).

Legal Citation: Act 1046 (Representative Stelly) of the 1993 Regular

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2 to 100 copies	\$1.90 each	2 to 100 copies	\$1.90 each	2 to 10 copies	\$12.00 each
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