



REFORM FOR LOUISIANA'S **FUTURE**

THE CASE FOR CONSTITUTIONAL REFORM: ACHIEVING FISCAL STABILITY AND ECONOMIC COMPETITIVENESS

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The Need for Reform

Merriam-Webster defines a constitution as “the basic principles and laws of a nation, state, or social group that determine the powers and duties of the government and guarantee certain rights to the people in it.” The word’s definition, on its face, suggests that a constitution is a foundational document whose purpose is to enable the effective operation of government and to protect fundamental rights of the citizens it governs.

Louisiana’s current constitution was ratified by voters in 1974, following a constitutional convention held during 1973. Since then, the constitution has more than doubled in length, having been amended 195 times. At almost 80,000 words—ten times longer than the U.S. Constitution—Louisiana’s current state constitution looks much less like a “foundational” document and much more like a detailed policy manual that includes complicated budget rules, specific numerical caps and limitations on revenue-raising measures, and fiscal provisions designed to protect narrow, rather than statewide, interests. More than half of the document’s 195 amendments have been to Article VII of the constitution, which addresses revenue and finance matters, including the state budget and taxes. The result of this perpetual and piecemeal amendment process is a governing document that requires our state to maintain nearly three dozen dedicated funds (and dozens more sub-funds), each of which may only be used to carry out very specific functions of State government.

As the number of dedicated funds (both constitutional and statutory) has increased, the amount of state revenue—now more than 60%--that is already dedicated to specific functions before the Legislature ever convenes to develop a balanced state operating budget, has also continued to increase. Over the same 45-year period since Louisiana’s constitution was ratified in 1974, Louisiana lawmakers have found it increasingly more difficult to grapple with the rigid fiscal constraints enshrined in our current constitution. The Legislature has had more than two dozen special sessions devoted solely to budget and finance issues, including seven such sessions in the last three years alone, and our citizens have become almost immune to the impending “fiscal cliffs” that threaten the operation of state government each spring.

Unfortunately, reforms aimed at eliminating the constitution’s complicated and strict limitations on how state revenues must be budgeted and spent is only part of the necessary solution for solving Louisiana’s fiscal problems. Our system of raising revenue must also undergo structural reform. The current constitution enshrines a tax structure that is riddled with exemptions, adding to revenue volatility, and a system of taxation that has become exceedingly complex, uncompetitive and difficult to change through the legislative process. Indeed, the non-partisan Tax Foundation ranks Louisiana among the worst 10 states (44th) in its 2019 State Business Tax Climate Index, which gauges how states structure their overall tax systems, and dead last (50th) in its Component Sales Tax Climate thanks to our “exceedingly complex and uncompetitive sales tax structure.” By comparison, Texas, our largest regional competitor for economic development, ranks 15th overall.

According to the Tax Foundation, “The states in the bottom 10 tend to have a number of afflictions in common: complex, non-neutral taxes with comparatively high rates.”

It is no surprise that we find ourselves at a competitive disadvantage for economic growth. Louisiana’s current tax system is replete with exemptions and deductions, is extremely burdensome to navigate, even for sophisticated filers, and at least appears to impose relatively high tax rates on business.

The Momentum for Change

Louisiana’s recurring cycle of budget crises and “fiscal cliffs”, at least in part, can be attributed an unwillingness by state officials and lawmakers up until this point to adopt *structural* solutions to the state’s systemic fiscal problems. Nonetheless, in 2018 we saw significant legislative momentum for constitutional reform to achieve comprehensive, long-term fiscal reform for both state and local governments. Representative Neil Abramson (D-New Orleans) spearheaded this effort by introducing a bill (House Bill 500) calling for a limited constitutional convention in 2020 to address fiscal and budget issues.

The bill proposed a convention that would address only certain provisions of the current constitution, including Articles VI (Local Government), VII (Revenue & Finance), certain portions of Article VIII (Education), and Article X (Public Officials and Employees). Among other things, the bill called for the creation of a 27-member advisory council, composed of state and local government representatives, as well as stakeholders from industry and policy organizations, to assist convention delegates as needed. However, despite receiving significant attention among legislators and the media, the bill failed to garner the required 2/3 vote required for passage by the House (52-47 vote).

Despite the Legislature's unwillingness to approve a constitutional convention in 2020, calls for constitutional reform have not quelled, as numerous lawmakers, candidates, policy organizations, and media outlets have continued to drum up support for a possible convention. While the methodology of selecting delegates and the scope of a proposed convention have varied among these calls for reform, the goal of achieving structural fiscal reform through a revision of Article VII of the constitution has been at the centerpiece of each proposal. Some proposals have also sought to achieve a more decentralized state government by re-examining the current distribution of power and functions between the state and local governments. Indeed, while Louisiana's current constitution contains a number of protections and benefits for local governments, it also contains a number of provisions that hamstring local governments and their ability to raise revenue to fund local priorities.

A limited constitutional convention that addresses both of the aforementioned goals is necessary. More specifically, our State needs comprehensive constitutional reform that includes the following three components:

- 1) Structural reform of the state's budget and spending processes to achieve greater fiscal flexibility that will allow lawmakers and officials to respond to current priorities, while still protecting the state's long-term fiscal health;
- 2) Structural tax reform designed to achieve a less complex, more stable and economically competitive tax system that will allow Louisiana to maximize its economic success; and
- 3) Restructuring of the relationship between the state and local governments to provide local governments with greater fiscal autonomy and flexibility to raise revenue and fund local services.

The need for constitutional reform is more pressing than ever. Louisiana's citizens and lawmakers are worn out with recurring fiscal cliffs and marathon sessions to solve our state's budget problems, and businesses have grown frustrated with Louisiana's overly burdensome tax system, which puts Louisiana at an economic disadvantage for growth. In addition, the upcoming gubernatorial election and legislative races will result in the largest turnover in elected officials in the State's history, further setting the stage for the comprehensive reform outlined below.

Promote Fiscal Flexibility

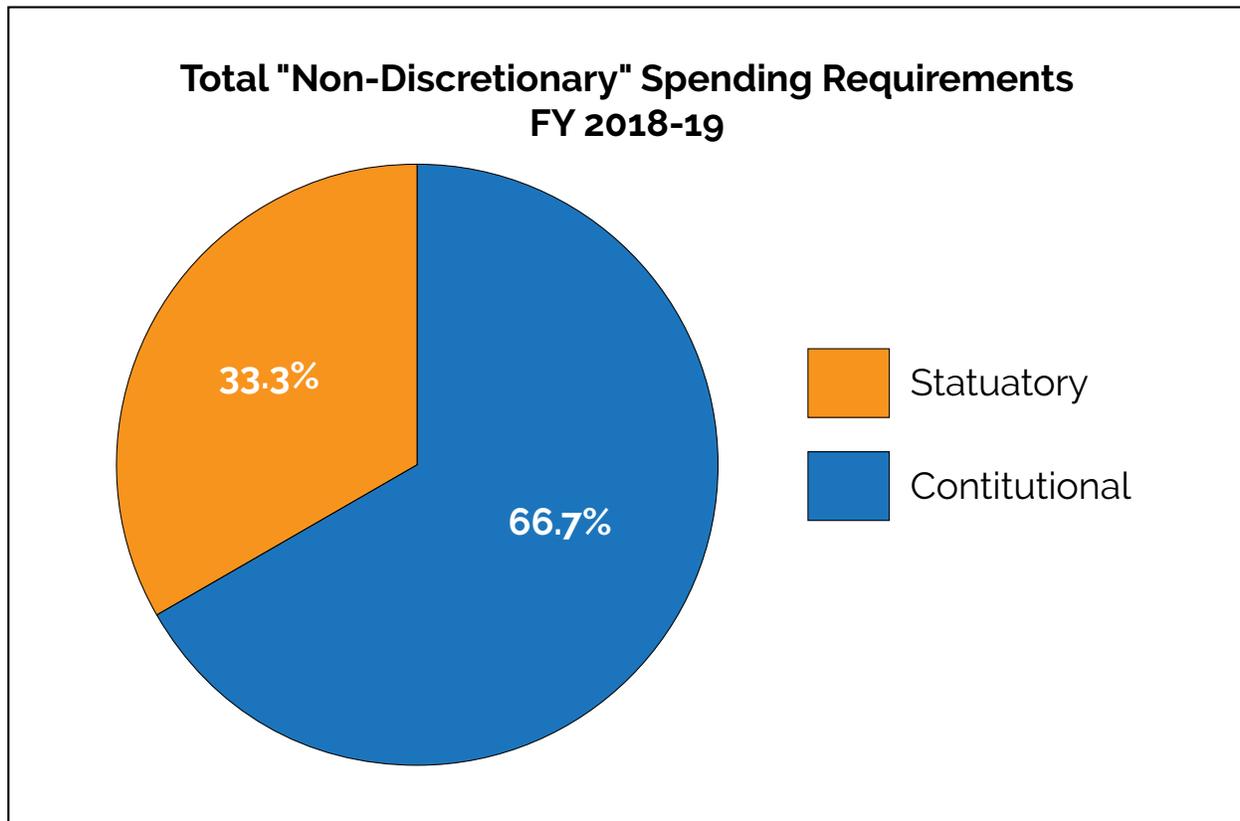
As noted above, the Louisiana Legislature has held seven special sessions in the past three years solely to address fiscal issues. While some of this legislative gridlock can undoubtedly be attributed to political partisanship and philosophical differences on issues like taxes and spending, our current constitution—specifically, Article VII—also has made it more and more difficult for the executive and legislative branches to craft a balanced budget each year. Having been amended nearly 200 times since 1974, Article VII now includes an array of intricate restrictions on how the State's revenue sources may be collected, appropriated and spent. Even minor changes to these limitations require constitutional amendment—a lengthy (and expensive) process that requires approval from 2/3 of each legislative chamber and ratification by voters in a statewide election.

To fully understand the State's current budget challenges, it is necessary to dig deeper into the various components of the state budget and the limitations imposed by current law that drive those components. For the 2018-19 fiscal year, Louisiana's total budget was approximately \$30.6 billion.

Of that nearly \$31 billion, roughly \$8.6 billion was State General Fund (SGF) dollars, of which nearly 70% (\$6.17B) was classified as "non-discretionary." Non-discretionary spending is spending that the Division of Administration (DOA)

has determined is required for various reasons to fund specific functions within state agencies and local government. As illustrated in the graph below, approximately 2/3 of all non-discretionary spending (\$4.12B) is mandated by the Constitution. These obligations include pension obligations, funding of the Minimum Foundation Program (MFP) and supplemental pay for local law enforcement. The remaining 1/3 of non-discretionary spending is categorized as either a statutory obligation or some other “unavoidable obligation” such as housing prisoners, avoiding a court order or preventing the loss of federal funding.

Since there is no dedicated funding source for “non-discretionary” spending, it is funded largely by the SGF.



Source: Louisiana Governor’s Executive Budget, Fiscal Year 2018-2019, available at https://www.doa.la.gov/opb/pub/FY19/FY19_Executive_Budget.pdf.

In addition to these “non-discretionary” spending requirements, there is also another roughly \$4 billion of budget dedications that are diversions of tax revenues that would otherwise flow into the State General Fund. These dedications include both constitutionally created dedications and statutory dedications. The constitutional dedications are specified in nearly three dozen designated funds and even more sub-funds that dictate how certain categories of revenue may be appropriated and spent.¹ Some of these constitutional funds and related budget rules are fundamental to the operation of our State government. The Bond, Security & Redemption Fund (Art. VII, § 9(B)), for example, is utilized to satisfy the principal and interest requirements of the state’s bond indebtedness without the necessity of appropriation by the Legislature. This constitutional safeguard extended to state bondholders is critical to protecting the marketability and ratings of the state’s bonds. Similarly, the Budget Stabilization Fund (Art. VII, § 10.3), also known as the “Rainy Day Fund,” is available to cover fiscal shortfalls as identified by official forecasts adopted by the Revenue Estimating Conference (REC). Rainy day funds are one of the most common tools states have to soften the blow of economic downturns and budget shortfalls.²

1 See Appendix A for a complete list of constitutional funds.

2 Despite general consensus that rainy day funds are important to the long-term fiscal health of states, the majority of states still do not grant these funds constitutional protection, instead granting them only statutory protection. See National Conference of State Legislatures (NCSL), “Rainy Day Fund Structures” (Nov. 2018), available at <http://www.ncsl.org/research/fiscal-policy/rainy-day-funds.aspx>.

Other constitutional funds, however, protect interests that appear to be less fundamental or are designed to protect only narrow interests and issues that, while perhaps deserving of some fiscal protection, may not warrant protection in our constitution. Many of these funds were initially created only in statute but gained constitutional protection over time as special interest groups successfully convinced legislators (and ultimately voters) that a higher level of protection was needed. Moreover, because the creation of many of these funds has happened in a piecemeal fashion, the current constitution contains multiple funds that are designed to protect the same general priority or issue, such as healthcare or education. Still, each fund contains its own set of very detailed restrictions on how fund monies may be appropriated.³ The constitution's requirements for allocating mineral revenues (Art. VII, § 10.16) provides an example of the level of complexity and detail in the document's fiscal provisions, as it itemizes nearly 20 different constitutional and statutory funds that certain types of mineral revenues must be deposited into. This intricate waterfall of required allocations is not only complex, but also results in nearly every dollar of mineral revenue being allocated to a specific use before the Legislature ever meets to develop the annual budget.

Despite continued growth in the number of constitutional funds, it has been years since many of these protected categories have been reviewed in detail by the Legislature to determine whether each still reflects the state's current priorities and needs. Funds that are essentially defunct or have had little to no activity in many years likely do not warrant continued constitutional protection. At a minimum, a constitutional convention, once called, should conduct a thorough analysis of each fund to determine which funds could be moved out of the constitution and into statute.⁴ This type of reform would allow the state to maintain protection of important priorities while enhancing the State's budget flexibility by easing the restrictions on a large portion of our State General Fund dollars. A convention should also consider combining or merging funds that are designed to protect the same general interest. Once again, reform of this type would not remove fiscal protection for priorities like education or healthcare, but would help provide the executive and legislative branches more flexibility in designing a workable budget.

Finally, a constitutional convention should also take steps to ensure that a revised constitution does not, over time, once again become a document so detailed and inflexible that the state cannot effectively deal with its most pressing and current financial challenges. To this end, the constitution should prohibit the Legislature from establishing new constitutional funds for which there is no immediate or identifiable funding source. In addition, the constitution should require a periodic review and assessment of all constitutional funds to determine how funds are being utilized (or not utilized) and how the funds impact the overall state budget.⁵

Policy Recommendations

1. Engage in a thorough analysis of all constitutional funds to identify funds that may be moved into statute without impeding the basic function of state government or placing the long-term sustainability of the state or well-being of its citizens at risk. Funds that do not warrant constitutional protection, but seek to protect interests or priorities that warrant a higher level of protection, may require a supermajority rather than a simple majority vote to alter or repeal.
2. Funds that are designed to protect the same basic priority should be consolidated to the greatest extent possible in order to allow for greater budget and spending flexibility.
3. No new constitutional or statutory funds should be set up unless an immediate, available funding source has been identified. Similarly, funds with recurring zero or near-zero balances should be discontinued and repealed.

3 Within Article VII, for example, the Louisiana Education Quality Trust Fund (§ 10.1), Higher Education Louisiana Partnership Fund (§ 10.4) and TOPS Fund (§ 10.8) are all designed to protect funding for higher education. Likewise, the Health Excellence Fund (§ 10.8), Louisiana Fund (§ 10.9), Hospital Stabilization Fund (§ 10.13) and Louisiana Medical Assistance Trust Fund (§ 10.14) were all established to protect funding for healthcare services.

4 For those funds that delegates feel may deserve a higher level of statutory protection, the convention may wish to impose a constitutional requirement that some type of super-majority (e.g., 2/3 or 3/5) vote of the Legislature is needed to make changes to the fund.

5 See pp. 15-16 for additional recommendations regarding periodic assessment of the entire constitution.

4. The constitution should require the Legislature to periodically review and assess all constitutional funds using objective and data-driven standards.

Create a More Predictable and Competitive Tax Structure

The constitutional reform outlined above aimed at improving the state's fiscal structure must also be coupled with comprehensive reform of our state's tax code, which, in its current form, serves as a barrier to stable economic growth. Louisiana currently has the worst of both fiscal worlds: it looks expensive to businesses looking to relocate or grow in Louisiana, yet collects very little. More specifically, Louisiana's highest marginal income tax rate of 6% and its combined sales tax rate of nearly 10% put Louisiana near the top of the pack when compared to other southeastern states. However, because our system is plagued by exemptions and credits, actual tax collections are far lower than our tax rates would suggest.

To better understand the effect of our current system, it is informative to look at Texas, our closest geographical neighbor for economic development. Both Louisiana and Texas have among the lowest tax burdens in the United States at 7.6%.⁶ However, when compared with Texas, Louisiana has not been able to maximize its economic return on our favorable tax structure for two main reasons. First, Louisiana looks more expensive to families and businesses because we have both a personal income tax and a corporate income tax, while Texas has no personal income tax.⁷ Second, Louisiana's tax system is much less predictable, more complex and more difficult to navigate, which serves as a deterrent for businesses seeking to do business in our state. Recent and historical data on economic growth reflect this disparity. Indeed, over the period from 2012-2017, per capita real GDP in Texas increased by 14.5%. Per capita real GDP in Louisiana decreased by 3% over that same period. Population growth data is equally telling. Over the period from 2010-2018, Louisiana's population grew by only 2.79%, while the population of Texas increased by a whopping 14.14%.⁸ More recent data from 2017-2018 is even more concerning, as Louisiana was identified as 1 of only 9 states that experienced population declines over this period, losing more than 10,000 people.⁹ Texas had the largest numeric growth over this last year, with an increase of nearly 380,000 people.¹⁰

6 The Tax Foundation, "State-Local Tax Burden Rankings FY 2012" (Jan. 29, 2016), available at <https://taxfoundation.org/publications/state-local-tax-burden-rankings/>. According to the Tax Foundation's most recent data, Louisiana has the fifth-lowest effective tax rate in the nation at \$2,950 per capita on an average per capita income of \$38,906. Alternatively, Texas has the fourth-lowest, with an average per capita tax burden of \$3,340 on an average per capita income of \$44,081. The effective tax rate is the average rate at which an individual is taxed on earned income, or the average rate at which a corporation is taxed on pre-tax profits. This measure simplifies comparisons among taxpayers or corporations since it takes into account the fact that different levels of income may be taxed at different rates in a progressive, or tiered, tax structure.

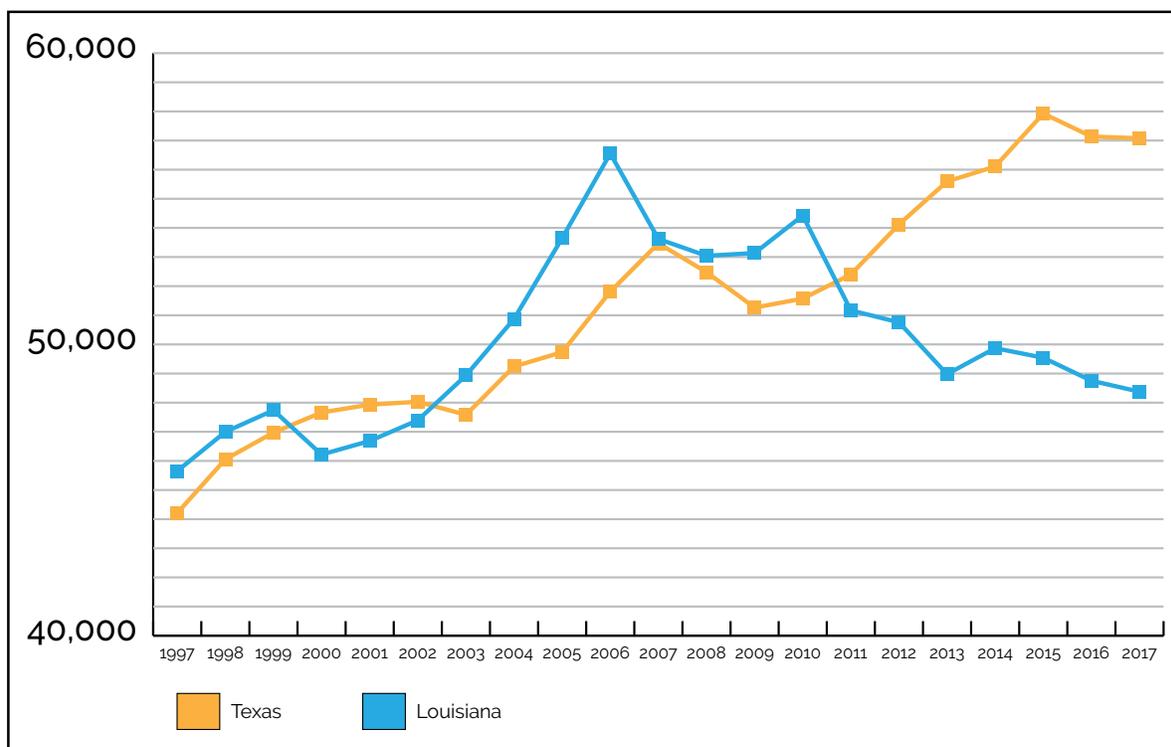
7 Texas also has no corporate income tax, although it does impose a gross receipts tax, which is similar to a sales tax levied on the seller of goods or service consumers.

8 U.S. Census Bureau, National Population Totals and Components of Change: 2010-2018 (Dec. 2018), available at https://www.census.gov/data/tables/time-series/demo/popest/2010s-national-total.html#par_textimage_2011805803.

9 See *id.*

10 See *id.*

Per Capita Real GDP by State



Sources: U.S. Bureau of Economic Analysis; Real Total GDP for Louisiana and Texas retrieved from FRED, Federal Reserve Bank of St. Louis.

To remedy the economic disadvantage inflicted by our current tax system, a constitutional convention must be prepared to implement comprehensive and structural tax reform that seeks to 1) encourage business development, 2) lower rates, 3) reduce exemptions, and 4) simplify the system for individual and corporate filers.

Louisiana Revenue Sources (Fiscal Year 2017) ¹		
Revenue Source	Revenue Amount	% of Total State Taxes, Licenses, Fees
Sales Taxes	\$3.88 billion	44.4%
Individual Income Taxes	\$2.94 billion	33.6%
Mineral Revenues (Severance + Gasoline/Special Fuels Taxes)	\$1.02 billion	11.6%
Tobacco and Alcohol Taxes	\$388 million	4.4%
Corporate Income and Franchise Taxes	\$365 million	4.2%
Other	\$147 million	1.7%
Total	\$8.74 billion	

Income Tax Reforms

Louisiana's current income tax code contains three brackets, with a top marginal rate of 6%. A taxpayer filing single, a married couple filing separately, or a head of household pays the following rates:

- 2% on the first \$12,500 of taxable income
- 4% on the next \$37,500 of taxable income
- 6% on all taxable income over \$50,000*

*Note: these income thresholds are doubled for married couples filing jointly.

Even with a top marginal rate of 6%, which is higher than the top rates in many other states, Louisiana's state and local individual income taxes per capita are among the lowest in the nation, with an average effective income tax rate of approximately 2%.¹¹ However, despite Louisiana's relatively low average income tax rate, Louisiana's system is incredibly complex, with over 80 exemptions for personal income taxes alone.¹² The cumulative effect of these exemptions is more than \$2 billion in annual lost revenue. Thus, while our current rates may be relatively low, rates could be lowered further—and distributed more fairly—if additional funds were generated from broadening the tax base. Not only would this type of reform create a simpler tax structure, it would also generate economic growth for Louisiana. It is no secret that many families, and small businesses taxed as individuals, have been lured away to the income-tax free state of Texas.

When examining options for creating a simpler and fairer income tax system, attention should be focused on those exemptions that have the largest impact on the state's finances. Article VII, § 4(A) of the constitution requires the state to provide taxpayers a state income tax deduction for all income taxes paid to the federal government. Because its financial impact is massive, and also creates a more volatile and unpredictable revenue source, this deduction is provided in only two other states (Alabama and Iowa).¹³ During Fiscal Year 2017, the federal income tax deduction lowered Louisiana's income tax revenues by a whopping \$827 million, which accounts for nearly 15% of the total revenue lost through all of Louisiana's 81 exemptions and deductions.¹⁴ All the while, Louisiana receives very little credit for this exemption from families or businesses weighing the tax benefits of locating in Louisiana.¹⁵ Lower rates, not more or larger exemptions, are what typically influence these decisions. States such as Louisiana that offer this deduction are also particularly susceptible to changes in the federal tax code, making overall income tax revenue more volatile and creating uncertainty that makes it difficult for the state to plan ahead. While Congress's 2017 tax cuts may provide some additional revenue to Louisiana during 2019, the pendulum could just as easily swing the other way in future years. Constitutional reform to eliminate the exemption for federal income taxes paid would not only allow the state to lower rates (perhaps significantly) by broadening our tax base, it would also equip the state with a more reliable and less volatile source of revenue.

The second most significant deduction available under Louisiana's current tax code allows Louisiana taxpayers to fully deduct at the state level all itemized deductions taken on their federal tax form that are in excess of the federal standard deduction (i.e., "excess itemized deductions"). The deduction reduced Louisiana's income tax revenue by approximately \$382.6 million during Fiscal Year 2017,¹⁶ yet benefited only 25% of Louisiana taxpayers—primarily middle- and upper-middle-income earners—since the vast majority of Louisiana taxpayers do not itemize on their federal tax returns.¹⁷ The inclusion of taxes paid to the state of Louisiana as part of the excess itemized deduction also makes little sense, as it gives taxpayers a state deduction for money already paid to the state. Any comprehensive tax reform package should include capping the state deduction for excess itemized deductions at 50%.

While the combined fiscal impact of the two significant changes outlined above would undoubtedly allow Louisiana to

11 In 2015, the most recent year for which data is available, the state collected an average of \$639 in per capita individual income taxes, compared to a national average of \$1,144 per person. The Tax Foundation, "State and Local Individual Income Tax Collections Per Capita" (May 31, 2018), available at https://taxfoundation.org/state-local-income-tax-collections-per-capita-2018/?utm_source=Tax+Foundation+Newsletters&utm_campaign=df3aa1987b-EMAIL_CAMPAIGN_2018_05_30_06_38&utm_medium=email&utm_term=0_8387957ec9-df3aa1987b-429052817&mc_cid=df3aa1987b&mc_eid=d3c5a9c6e0.

12 LDR, State of Louisiana Tax Exemption Budget (TEB) 2017-2018, pp. 23-24, available at [http://revenue.louisiana.gov/Publications/TEB\(2017\).pdf](http://revenue.louisiana.gov/Publications/TEB(2017).pdf).

13 Three other states—Missouri, Montana, and Oregon—allow a deduction for federal income taxes paid but put a cap on the allowable deduction.

14 2017-2018 Tax Exemption Budget at p. 24.

15 In addition, since the federal income tax code is progressive, the exemption for federal income taxes paid disproportionately benefits high-income Louisiana families with income over \$200,000/year, while providing very little benefit to the state's low-income families. See The Task Force on Structural Changes in Budget and Tax Policy, "Louisiana's Opportunity: Comprehensive Solutions for a Sustainable Tax and Spending Structure," p. 34 and fig. 8 (Jan. 27, 2017).

16 2017-2018 Tax Exemption Budget at p. 21.

17 Task Force on Structural Changes, "Louisiana's Opportunity" at pp. 27-28.

adopt lower income rates, a comprehensive re-examination of *all* exemptions and credits—particularly those that may not affect a large portion of taxpayers but have a non-trivial impact on state revenues—could identify further changes that might allow rates to decrease even further. To the extent these changes are adopted, Louisiana should consider adopting a revised single-rate tax structure. Under this structure, the majority of taxpayers would be taxed at a single rate of somewhere between 3.5 and 4%.¹⁸ Very low-income earners (\$12,500 for single filer; \$25,000 for joint filer) would be exempt from income tax.

Business Tax Reforms

Currently, all corporations and entities taxed as corporations for federal income tax purposes that derive income from Louisiana sources, whether or not they have any net income, must file an income tax return. Net income is taxed at the following rates:

- 4% on the first \$25,000 of net income
- 5% on the next \$25,000
- 6% on the next \$50,000
- 7% on the next \$100,000
- 8% on all income over \$200,000

Louisiana's five-bracket, graduated system with a top rate of 8% ranks us 15th in the U.S., and highest in the South for top marginal corporate income tax rates.¹⁹ In addition, Louisiana imposes a corporate franchise tax, also known as a "capital stock tax," on wealth and investment that represents the equity of a corporation.²⁰ Businesses are required to pay the tax regardless of whether they are profitable or not. Only a handful of states impose this type of tax, and roughly half of those states impose a cap on the maximum tax liability a business may be required to pay.²¹ Louisiana's franchise tax rate is high (ranking only behind Connecticut), and we impose no cap. These characteristics are particularly concerning since the tax is widely recognized as disincentivizing the accumulation of wealth or capital, which can discourage economic investment such as corporate headquarter relocations, and is incredibly complex to calculate and administer.

Despite imposing a relatively high corporate tax rate and a franchise tax, these business taxes make up only a tiny fraction of the State's overall tax collections. For example, for Fiscal Year 2017 the state collected just \$273.5 million in corporate income taxes and \$91.18 million in franchise taxes. Together, these revenue sources accounted for only 4.2% of all state tax collections.²² The outlook for Fiscal Year 2019 is similar, with the REC projecting just \$300 million in corporate and franchise taxes combined, compared with \$3.38 billion in individual income taxes and \$3.1 billion in sales taxes.²³

A major part of why Louisiana's corporate taxes generate so little revenue stems from the roughly 50 corporate

18 In 2017, Rep. Julie Stokes (R-Kenner) offered two bills that, combined, would have eliminated the state income tax deduction for federal income taxes paid, modified the excess itemized deduction, and imposed a single income tax rate of 3.76% on taxable income over \$12,500 for single filers (\$25,000 for joint filers). See House Bill 353, 2017 Regular Session, available at <http://www.legis.la.gov/legis/BillInfo.aspx?s=17RS&b=HB353&sbi=y>; House Bill 501, 2017 Regular Session, available at <http://www.legis.la.gov/legis/BillInfo.aspx?s=17RS&b=HB501&sbi=y>. Neither bill made it to a vote of the full Senate.

19 The Tax Foundation, "State Corporate Income Tax Rates and Brackets for 2018," available at <https://taxfoundation.org/state-corporate-income-tax-rates-brackets-2018/>.

20 The initial franchise tax is \$10, then: \$1.50 for each \$1,000 up to \$300,000 of capital employed in Louisiana, and \$3.00 for each \$1,000 in excess of \$300,000 of capital employed in Louisiana. See <http://gnoinc.org/explore-the-region/doing-business/louisiana-business-taxes/>.

21 Louisiana, Oklahoma, Arkansas, Wyoming, Nebraska, Illinois, Tennessee, Alabama, Georgia, South Carolina, North Carolina, Massachusetts, Connecticut, and Delaware. Mississippi and New York also have franchise taxes in place but have enacted laws to phase the tax out.

22 See Figure on p. 7.

23 Revenue Estimating Conference Fiscal Year 2019 Forecast (June 26, 2018), available at https://www.doa.la.gov/opb/pub/REC/REC_06-26-2018_Amended_Official_Sheets.pdf.

income tax exemptions and credits and 35 corporate franchise tax exemptions and credits required by our constitution and laws.²⁴ In fact, the Louisiana Department of Revenue (LDR) has projected that the state will forego nearly \$1.5 billion in corporate income taxes alone as a result of exemptions and credits during Fiscal Year 2019.²⁵ In addition to the inventory tax/ad valorem tax credit, the most significant of these exemptions is the corporate exemption for federal income taxes, which parallels the exemption described above for individual income taxes, and accounts for more than \$200 million in lost revenue. The result of this array of exemptions and credits is not only a system that is unpredictable for state administrators and revenue forecasters and difficult for corporations to navigate, but also a system in which total corporate tax liabilities typically far exceed the amount of revenue actually collected by the State. Indeed, sample audits have revealed that the majority of corporate income filers pay no corporate income taxes at all.²⁶

Louisiana should repeal the corporate income tax. To the extent that Louisiana lawmakers are unwilling to completely eliminate the tax, a constitutional convention should, at a minimum, eliminate the corporate tax deduction for federal taxes paid, de-linking both personal and corporate income taxes from changes to the federal tax code. This would at least help create a more meaningful and stable revenue source for the state. In addition, state lawmakers should revisit phasing out the corporate franchise tax.²⁷ The minor amount of revenue such a change would sacrifice would be far outweighed by the economic development it might encourage.²⁸

Sales Tax Reforms

As illustrated above in Figure xx, Louisiana and its local governments are disproportionately reliant on sales tax revenues to fund government services, with sales taxes accounting for nearly 1/2 of all state revenue in Fiscal Year 2017. With an average combined state and local sales tax rate 9.45%²⁹, Louisiana's rate ranks as the 2nd highest in the nation, falling only behind Tennessee, that has a rate of 9.46%.

In addition to high rates imposed on consumers, Louisiana's current sales tax system is also incredibly complicated for businesses to navigate. The Louisiana Constitution (Art. VI, § 29) empowers local governing authorities, in addition to the State, to collect sales and use taxes. In the case of Louisiana sales taxes, upon receipt of sales tax revenues from consumers, businesses are required to pay both state collectors *and* parish collectors. This system is an outlier from other states, where businesses are required only to remit sales taxes to the state, which then funnels the funds down to local governments.

To further complicate matters, Louisiana law contains over 200 separate state sales tax exemptions and prohibitions, costing the State more than \$2 billion annually.³⁰ Local taxing jurisdictions are not required to impose those same exemptions. Thus, the state may offer tax breaks for certain transactions, and local governments may or may not also give that same benefit. With over 400 different sales tax jurisdictions, each with its own unique rate, and over 50 different sales tax collectors, businesses that operate in multiple parishes or statewide must not only know the rates within each parish and local taxing jurisdiction, but must also understand each state and local tax rule in order to calculate their total tax basis. Furthermore, Louisiana businesses have the added burden of facing separate audits from

24 2017-2018 Tax Exemption Budget at pp. 18-20.

25 2017-2018 Tax Exemption Budget at pp. 18-20.

26 See, e.g., "Loopholes allow many Louisiana companies to skip taxes, says revenue chief" (Apr. 8, 2015), available at https://www.nola.com/politics/index.ssf/2015/04/louisiana_companies_tax_loopho.html. A 2015 tax study done by former Gov. Bobby Jindal's administration found that 80 percent of corporations in Louisiana didn't pay corporate income tax that year.

27 In 2017, Governor Edwards proposed a 10-year phase out of the corporate franchise tax as part of a larger tax reform proposal that included replacing the corporate income tax with a new Commercial Activity Tax (CAT) similar to a gross receipts tax. The reform package failed to pass out of the House Ways & Means Committee.

28 Elimination of the corporate franchise tax, alone, would not require a constitutional amendment. Instead, the change could be implemented simply by amending Title 47, §§ 601-618 of Louisiana Revised Statutes.

29 The Tax Foundation, "State and Local Sales Tax Rates, Midyear 2018), available at <https://taxfoundation.org/state-local-sales-tax-rates-midyear-2018/>. It is also important to note that Tennessee, the only State with a higher combined sales tax rate than Louisiana, imposes no personal income tax on salaries or wages.

30 2017-2018 Tax Exemption Budget at pp. 25-34.

differing tax collectors, whereas most states have only a single audit agency. The combined effect is a sales tax system that is both costly to administer and to comply with, and the burden is ultimately passed on to consumers.

Louisiana's high combined rate, coupled with the lack of uniformity among state and local sales taxes, and a confusing and highly decentralized collection system has earned the state a ranking of 50 out of 50 states in the Sales Tax Component of the Tax Foundation's Business Climate Index.³¹ Just as concerning as our national rankings, however, is how our current sales tax system may hinder the state's ability to maximize revenues that would otherwise enhance the state's fiscal stability. Last summer, the United States Supreme Court, in its *Wayfair* decision, held that states may charge sales taxes on internet purchases made from out-of-state sellers without running afoul of the Commerce Clause, even if the seller does not have a physical presence in the taxing state. While the Court's decision represents a potential revenue boon for all states and localities, the Court also signaled that in order to fall within the scope of its ruling, a state's sales tax systems must include a certain level of uniformity, both with respect to the tax base and administration of the system.³² Louisiana is one of two states that the Tax Foundation has said will be susceptible legal challenge under the current sales tax regime.^{33 34}

Some, but not all, of the changes necessary to streamline and improve Louisiana's sales tax regime may be accomplished by statutory changes that do not require constitutional amendment. First, in order to achieve lower rates, the Legislature should continue to broaden its sales tax base by permanently eliminating exemptions that have been suspended³⁵ and identifying additional exemptions to abolish. This could be coupled with imposing a tax on additional services, such as those that Louisiana's largest economic competitor, Texas, already taxes. These services include things like cable and satellite television and other digital-related services that have increasingly become major components of our retail economy.

To achieve real uniformity and more simplicity in Louisiana's sales tax regime, Articles VI and VII of the constitution should be amended to bring exemptions and exclusions closer in line at the state and local level. Additionally, the constitution should require a uniform system of sales tax collection and administration—that is, a single collector, administrator and auditor. These changes will not only help improve the perception of Louisiana's tax policy and make us more economically competitive among businesses, but will also help ensure our state and localities are on sound footing to collect our fair share of online internet sales taxes.

Policy Recommendations

1. Broaden the personal income tax base by (a) eliminating the state deduction for federal income taxes paid, (b)

31 The Tax Foundation, 2019 State Business Tax Climate Index.

32 See *South Dakota v. Wayfair, Inc.*, No. 17-94, 585 U.S. ___ at 23 (June 21, 2018) (noting that South Dakota is one of more than 20 states that has adopted the Streamlined Sales and Use Tax Agreement, which "standardizes taxes to reduce administrative and compliance costs" by "require[ing] a single, state level tax administration, uniform definitions of products and services, simplified tax rate structures, and other uniform rules").

33 The Tax Foundation, "Post-Wayfair Options for States" (Aug. 29, 2018), available at https://taxfoundation.org/post-wayfair-options-for-states/?utm_content=bufferd7394&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer ("Colorado and Louisiana have duplicative, outdated, inconsistent, and inefficient sales tax collection mechanisms that make it unlikely that any attempt to pass a South Dakota-style law would survive a legal challenge.").

34 In 2017, the Louisiana Legislature created the Louisiana Sales and Use Tax Commission for Remote Sellers, housed with the LA Department of Revenue (LDR), to assist in developing regulations to collect online sales taxes from remote sellers. Post-*Wayfair*, the Commission has implemented regulations, including a regulation under which the State will collect a flat 8.45% sales tax on every dollar spent by Louisiana residents with an out-of-state retailer. While the new regulations may better meet the Supreme Court's uniformity and simplicity standards, Louisiana is still at a higher risk than other states of failing to comply with the Supreme Court's directive. More importantly, the approach adopted by the Commission still fails to address the fundamental flaws in Louisiana's current sales tax system that create a more burdensome and complex environment for businesses seeking to do business in Louisiana.

35 During the 2018 session, the Legislature extended the suspension of many exemptions that had been suspended in 2016 but were set to expire in 2018. See 2018 Third Extraordinary Session, Act No. 1 (June 24, 2018). The new expiration date for these exemptions is June 30, 2025.

capping excess itemized deductions at 50%, and (c) re-examining all other tax exemptions and credits.

2. Create a more competitive and simpler personal income tax structure by adopting a single-rate income tax of 3.5-4%.
3. Repeal the corporate income tax, or, at a minimum, eliminate the corporate tax exemption for federal income taxes paid and gradually phase out the corporate franchise tax.
4. Expand the sales tax base by eliminating some exemptions and imposing a tax on additional services, including those services that Texas currently taxes, in order to achieve a lower overall state sales tax rate.
5. Bring exemptions and exclusions closer in line at the state and local level.
6. Constitutionally require a uniform system of sales tax collection, administration and auditing throughout the state.

Decentralize State Government

With roots dating back to the Huey Long era, Louisiana's structure of government is highly centralized, vesting a disproportionate share of authority, particularly with respect to spending, in the hands of the state. This imbalance of power stems from a convoluted system in which the state is mandated by both the constitution and current law to fund many purely local expenses and functions (in addition to funding regular state government operations). Thus, in many cases, local governments expend resources collecting tax revenues on behalf of the state, only to have the State Legislature redistribute the monies back to local governments each year.

At least some of these mandates on state spending are intended to compensate local governments and taxing authorities for limitations imposed on their ability to collect and manage their own revenue. The result is a complex funding system in which local governments rely heavily on the state to fund important functions, the state has reduced budget flexibility to fund its own operations, and the hands of local governments are tied with respect to how they are able to raise revenue for necessary services. This last effect of our current system has caused local governments to rely disproportionately on high local sales taxes rather than property taxes³⁶, a feature that not only makes local government budgets harder to manage since sales tax revenue is more volatile, but also one that discourages certain categories of economic activity.

In order to thoughtfully discuss ideas for reform of the relationship between state and local government, it is first necessary to provide an overview of the current dynamic, as set forth in the constitution and laws. As outlined below, local political subdivisions (parishes, municipalities, other local taxing authorities) have several important tools to raise revenue, yet the constitution also imposes significant restrictions on locals' ability to use these tools.

- **Property/Ad Valorem Taxes**
 - *Local Government Authority:* Local governments and taxing authorities have power to impose property taxes, subject to a vote of the people, and in accordance with assessed value percentages outlined in the constitution (Art. VII, § 18).
 - *Constitutional Restrictions:* The most significant limitation on local government's ability to increase property tax revenue is the constitutionally imposed homestead exemption of \$75,000 (Art. VII § 20). The constitution also includes nearly two dozen additional exemptions that local governments are required to honor, including numerous detailed exemptions on items such as artwork, boats, and

³⁶ Based on 2015 data, the Tax Foundation has estimated that Louisiana derives 38.5% of its total revenue from sales tax revenue (#6 in nation), and 22% of its total revenue from property taxes (#41 in nation). The Tax Foundation, "To What Extent Does Your State Rely on Sales Taxes?", available at <https://taxfoundation.org/sales-tax-reliance-2018>; The Tax Foundation, "To What Extent Does Your State Rely on Property Taxes", available at <https://taxfoundation.org/property-tax-reliance-2018>. By contrast, Texas derives 36.3% of its revenue from sales taxes (10th in nation) and 42% from property taxes (6th in nation).

burial plots. Outside of the homestead exemption, the largest property tax exemption enabled by the constitution is the Industrial Tax Exemption Program (ITEP) (Art. VII, § 21(F)), which exempts manufacturers from 80% of their local property taxes for an initial term of 5 years, subject to approval by the State Board of Commerce and local government entities

- Sales Taxes
 - *Local Government Authority*: Subject to a vote of the people, local political subdivisions may impose sales taxes on a wide range of goods and services and may grant unique exemptions outside of those imposed by the state.
 - *Constitutional Restrictions*: The Constitution (Art. VI, § 29) imposes a 3% cap on local sales taxes. However, local entities may request authority from the Legislature to impose an additional tax, subject to a vote of the people. Local governments must also exempt from taxation the “Big 3” categories mandated by the constitution: food for home consumption, utilities, and prescription drugs. (Art. VII, § 2.2)
- Other Taxes: The constitution prohibits local entities from taxing certain broad categories, including oil and gas/minerals (i.e., severance taxes), income, inheritance, motor fuels, and motor vehicle licenses.

To help compensate for the revenue-raising limitations outlined above, the constitution mandates several significant forms of financial support to local governments. In 2017, a task force created by the Legislature to recommend permanent solutions for the State’s budget situation estimated that the State provides approximately \$525 million in annual subsidies and revenue sharing arrangements to local government.³⁷ This figure does not include K-12 education funding provided to parishes through the Minimum Foundation Program (MFP), nor does it include financial assistance provided to businesses through the inventory tax credit program, which provides a significant source of revenue to local governments. Including the inventory tax credit program amount would bring the total annual local government subsidy figure to nearly \$1 billion, or almost 10% of the total State General Fund budget.

Categories of Aid to Local Governments

Almost all of the funding mechanisms described above require that tax dollars to fund local government functions first be paid to the State and then redistributed by the Legislature and sent back to local governments. The process is not only inefficient, but also results in a system that hamstring local governments’ ability to establish and fund their own priorities and instead requires and encourages heavy dependence on the state. This dynamic is at odds with national trends showing that citizens are more trusting of their local governments than of their state government.³⁸

No changes that affect how local governments are funded will be easy. Many will require a constitutional convention to achieve, and all must be implemented gradually in order to ensure local governments, particularly those with smaller tax bases, are able to remain fiscally strong. Undoubtedly, the most challenging reform, both politically and practically, will be removing the constitution’s homestead exemption mandate and instead granting local governments, through a vote of the people, power to determine their own homestead exemption values. In conjunction with this change, a constitutional convention should also re-examine the host of other property taxes that are enshrined in the constitution, with a goal of providing locals greater autonomy over which exemptions to keep in place. At a minimum, these exemptions should be removed from the constitution and placed in statute to provide the state with greater flexibility in responding to local opinions on the fiscal effect of the exemptions.

Reform of Louisiana’s largest indirect subsidy to local governments—the Industrial Tax Exemption Program (ITEP)—is already underway. In 2016, Governor Edwards signed an executive order granting local governing bodies more authority over the program by continuing to allow the State Board of Commerce to vet ITEP applications, but vesting

37 Task Force on Structural Changes, “Louisiana’s Opportunity” at Appendix D, p. 71.

38 Justin McCarthy, “Americans Still More Trusting of Local Than State Government” (Oct. 18, 2018), available at <https://news.gallup.com/poll/243563/americans-trusting-local-state-government.aspx> (stating that 72% of U.S. adults say they have a “great deal” or “fair amount” of trust in local government compared with 63% who have the same level of trust in state government).

local authorities with power to approve or disapprove of each application.³⁹ Requirements established by locals should be transparent, not overly burdensome or restrictive for business, and provide adequate predictability for businesses seeking to participate in ITEP. In Texas, industrial tax exemptions are and always have been controlled by local governments. The system works well for Texas because locals have imposed transparency and accountability in how they make decisions about exemptions. Louisiana must adhere to this same standard.

If implemented thoughtfully, each of the changes proposed herein, which seek to return power and fiscal flexibility to local governments and their citizens, will, in the long term, create more effective and responsive local governments. At the same time, they should help improve the state's prospects for long-term fiscal sustainability since providing locals with more autonomy over their revenue sources should allow the state to dial back constitutionally mandated transfers of funds back to local governments, thus freeing up more dollars for critical priorities like healthcare and higher education.

Policy Recommendations

1. Grant local governments and their citizens greater control over tax rates and exemptions that will directly impact their communities.
2. Allow local governments to increase their sales tax rates without approval from the Legislature, while still maintaining the requirement that local voters approve any new tax increase.
3. Replace the constitution's required homestead exemption of \$7,500 with a provision granting local governments, with approval from local voters, the ability to establish their own homestead exemption values, if any.
4. Re-assess all other constitutionally mandated property tax exemptions to determine those that local governments (rather than the state) should have direct control over, and at a minimum, move the exemptions into statute.
5. Continue to ensure that Industrial Ad Valorem Tax Exemption Program (ITEP) decisions allow for approval by local governments, provided that local governments develop guidelines that allow the state and its economic regions to remain attractive to new and expanding manufacturers.

Design a More Stable Constitution

Article XIII of Louisiana's Constitution lays out two distinct ways to amend the constitution. The most popular avenue for constitutional change is a legislatively proposed resolution that must garner approval by two-thirds of the elected members of both the House and Senate. Once approved by the Legislature, the proposed amendment is automatically submitted directly to voters in a statewide election, without the need for approval by the Governor. If a majority of voters voting on the proposed amendment approve it, the amendment becomes part of the constitution.⁴⁰ All proposed amendments must be confined to only one object or change, unless the amendment seeks to re-write an entire article of the Constitution, in which case the proposed amendment may contain multiple objects or changes.

The second path to constitutional amendment is through a constitutional convention. Article XIII allows the Legislature to call a convention, without voter approval, by passing a bill with two-thirds approval of both the House and Senate and signature by the Governor. Once the convention is convened and adopts a revised constitution, the proposal must be submitted to voters in a statewide election and approved by a majority of citizens voting in the election.

³⁹ Office of Governor John Bel Edwards, Executive Order No. 16-26 (June 24, 2016), available at <http://gov.louisiana.gov/assets/ExecutiveOrders/JBE16-26.pdf>.

⁴⁰ Amendments that affect five or fewer municipalities ("local amendments") must also be approved by a majority of the electors voting in each municipality affected.

Not surprisingly, research on the evolution of state constitutions reveals a correlation between the difficulty with which legislators and voters are able to amend a constitution and the rate of constitutional amendments.⁴¹ That is, the easier a constitution makes it to amend the document, the more often the document is amended. In light of this correlation, any reform aimed at creating a more stable Louisiana Constitution must also address the requirements for constitutional change. A stricter, more thorough amendment process will prevent the adoption of short-lived changes to what should be a foundational document and will ensure that only those amendments that have been thoroughly vetted and enjoy broad support are approved.

One method employed by states to ensure maximum deliberation and analysis of proposed constitutional amendments is to require that the Legislature consider the proposed amendment in more than one legislative session. In 12 such states, proposed amendments must be considered in two successive sessions.⁴² In almost all of these twelve states, the amendment must be approved by a majority of both legislative houses in two successive sessions.⁴³

Some states, however, impose different passage requirements for each session. In Tennessee, for example, if a majority of the members of both houses approve of a proposed constitutional amendment, the amendment is then referred to the next session of the Legislature that meets after the next election of legislators. When the second session of the Legislature considers the amendment, two-thirds of both houses must approve the amendment to put it before voters on a statewide ballot in the next general election in which a governor is chosen. The proposed amendment is enacted if the “yes” votes equal at least a majority of all citizens of the state voting for governor.⁴⁴ Tennessee has one of the shortest constitutions in the United States, at only 13,960 words and has been amended less than 50 times since its adoption in 1870.

As in these states, the Louisiana Constitution should, in some form, require that all constitutional amendments be considered by the Legislature in two regular legislative sessions. This type of heightened deliberation requirement will not only provide the Legislature more time and data to analyze the fiscal impact of proposed amendments, but it will also help ensure that important amendments are not rushed through the Legislature during the waning days and hours of a legislative session (as is often the case) without proper deliberation and public input. To the extent there is concern regarding time-sensitive amendments such as those needed to respond to natural disasters, we can look to Pennsylvania, where the Legislature can put a proposed amendment on the ballot in just one session when a “major emergency threatens or is about to threaten the Commonwealth.”⁴⁵

In addition to attempting to slow the ease with which our constitution is amended, we must also consider measures aimed at regular, comprehensive review of our governing document. As the past 45 years since our last complete re-write of the Constitution have proven, Louisiana’s current piecemeal process for constitutional revision does not necessarily require the Legislature to take stock of the document as a whole. The current process also has not ever resulted in the *removal* of constitutional provisions, even when such provisions may no longer operate in the best interest of state government or its people.

The constitutions in 14 states require voters to be asked at regular intervals, usually every 10 or 20 years, whether they’d like to hold a constitutional convention.⁴⁶ Interestingly, these mandatory ballot referrals for a constitutional convention have not led to more frequent constitutional conventions. However, they have at least forced the Legislature, and to some extent voters, to conduct a comprehensive assessment of their state constitution to

41 “Toward a Theory of Constitutional Amendment.” *American Political Science Review* 88 (June 1994): 355-70.

42 Indiana, Iowa, Massachusetts, Nevada, New York, Pennsylvania, South Carolina, Tennessee, Vermont, Virginia, and Wisconsin. See *id.*

43 In South Carolina, the state Legislature can vote to put the amendment before the state’s voters in one session, but if the voters approve the amendment, it must be taken up by the Legislature again in a second session for final approval. South Carolina State Constitution, Art. XVI, § 1 (1895).

44 Tennessee State Constitution, Art. XI, § 3 (1870).

45 Pennsylvania State Constitution, Art. XI, § 1 (1968).

46 Alaska, Hawaii, Iowa, New Hampshire, Rhode Island (automatic ballot referrals every 10 years); Michigan (automatic ballot referral every 16 years); Connecticut, Illinois, Maryland, Missouri, Montana, New York, Ohio, Oklahoma (automatic ballot referrals every 20 years).

determine whether it is still operating as intended and in the best interest of the state's citizens and businesses.⁴⁷ Louisiana would benefit from this type of provision.

Policy Recommendations

1. Require that the Legislature review and debate all proposed constitutional amendments for two successive legislative sessions before voting to place the measure before voters in a statewide election.
2. Constitutionally require that a mandatory ballot measure asking the people to approve or disapprove of holding a constitutional convention automatically appear on a statewide ballot every 10-20 years.

Conclusion

A goal in developing this white paper is to inform the public of existing problems with our current fiscal framework and tax structure and to provide legislators with thoughtful policy recommendations that will improve the overall state of Louisiana and the climate for growth. These recommendations are the product of several years of discussions with stakeholders, interviews with key leadership from varied political backgrounds and the study of national best practices.

We are driven by our mission to build a stronger and more stable future for our state. While some may say our goals are too lofty or too ambitious, it is clear that the current system is not working and that we are overdue for essential changes to our constitution and laws that will provide both state and local governments with greater fiscal flexibility to address today's priorities. This will make our state more competitive, more attractive, and improve our chances of keeping future generations here, drawing others to our region and becoming a national model states will set out to follow.

⁴⁷ An alternative, less direct method for comprehensive constitutional revision is to periodically convene a constitutional revision committee (CRC). In 1968, Florida voters ratified a constitutional amendment requiring a CRC to convene and examine the Florida Constitution once every twenty years for possible changes. The most recent Florida CRC in 2017-18 held 15 public hearings across the state and received a historical level of input. The CRC placed eight proposed constitutional amendments on the ballot for voter consideration. See Florida Constitution Revision Commission (2017-2018), <http://flcrc.gov/>.

Appendix A

Constitutional Funds

1. Agricultural and Seafood Products Support Fund (Art. VII, § 10.12)
2. Artificial Reef Development Fund (Art. VII, § 10.11)
3. Atchafalaya Basin Conservation Fund (Art. VII, § 4)
4. Bond Security and Redemption Fund (Art. VII, § 9)
5. Budget Stabilization Fund (Rainy Day Fund) (Art. VII § 10.3)
6. Coastal Protection and Restoration Fund (Art. VII, § 10.2)
7. Conservation Fund (Art. VII, § 10-A)
8. Education Excellence Fund (Art. VII, § 10.8)
9. First Use Fund (Art. IX, § 9)
10. Free School Fund (Art. XIV, § 16)
11. General Severance Tax- Parish (Art. VII, § 4D)
12. Health Excellence Fund (Art. VII, § 10.8)
13. Higher Education Louisiana Partnership Fund (Art. VII, § 10.4)
14. Hospital Stabilization Fund (Art. VII, § 10.13)
15. Lottery Proceeds Fund (Art. XII, § 6)
16. Louisiana Education Quality Trust Fund (Art. VII, § 10.1)
17. Louisiana Fund (Art. VII, § 10.9)
18. Louisiana Investment Fund for Enhancement (Art. IX § 10)
19. Louisiana Medical Assistance Trust Fund (Art. VII, § 10.14)
20. Louisiana Quality Education Support Fund (Art. VII, § 10.1)
21. Medicaid Trust Fund for the Elderly
22. Millennium Leverage Fund (Art. VII, § 10.10)
23. Mineral Revenue Audit and Settlement Fund (Art. VII, § 10.5)
24. Oil Spill Contingency Fund (Art. VII, § 10.7)
25. Oilfield Site Restoration Fund (Art. VII, § 10.6)
26. Parish Road Royalty Fund (Art. VII, § 4)
27. Patient's Compensation Fund (Art. XII, § 16)
28. Revenue Stabilization Trust Fund (Art. VII, § 10.15)
29. State Highway Fund No. 2 (Art. XIV, § 16)
30. State Revenue Sharing Fund (Art. VII, § 26A)
31. Tideland Fund (Art. XIV, § 10) (zero balance)
32. TOPS Fund (Art. VII, §§ 10.8, 10.10)
33. Transportation Trust Fund (Art. VII, § 27)

(Footnotes)

1 Louisiana Department of Revenue (LDR), "Annual Tax Collection Report" (2016-2017) p.6, available at [http://revenue.louisiana.gov/Publications/AR\(16-17\).pdf](http://revenue.louisiana.gov/Publications/AR(16-17).pdf).

