

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **HB 562** HLS 15RS 1173
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.:		Analyst: Travis McIlwain
Subject: Budgetary Controls		

BUDGETARY CONTROLS OR SEE FISC NOTE GF RV Page 1 of 1
 Requires the Revenue Estimating Conference to designate certain general fund money from mineral revenue as nonrecurring and requires that such money be spent on payments towards the UAL
 Proposed bill requires the REC to disclose in the official forecast for each fiscal year the price per barrel of oil used to determine mineral revenues in the official forecast and the highest actual price per barrel of oil in the prior calendar year. Proposed bill defines the highest actual price per barrel of oil to mean the highest actual price per barrel of oil in the calendar year prior to the year in which the forecast is adopted or revised. Proposed bill requires the REC to designate certain revenues as nonrecurring if the forecast price is greater than 90% of that actual price. Proposed bill provides that any funds not reserved for the Budget Stabilization Fund be reserved for appropriation for payments against the unfunded accrued liability (UAL) of the public retirement systems.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

This bill provides for potential SGF resources to be dedicated for payments toward the outstanding UAL obligation. To the extent this occurs, there will be less recurring SGF resources available for appropriation.

REVENUE EXPLANATION

Depending upon the price of oil, this bill has the potential to reduce the amount of SGF resources available annually for the operating budget and dedicates some resources for payment toward the outstanding UAL obligation. To the extent the adopted forecast price per barrel of oil is greater than 90% of the previous calendar's year actual high point, the difference will be designated as nonrecurring by the REC and utilized for payment toward the UAL.

For **illustrative purposes**, based upon the current high price per barrel to date through calendar year 2015 (\$54.38) (to the extent that remains the high price and becomes the actual high price for 2015) and based upon the current price per barrel in the adopted FY 16 forecast (\$59.66), the amount that would have been designated as nonrecurring could be \$128.6 million, which would be utilized for UAL payments as opposed for use in the operating budget. See calculations below.

FY 15 Actual Price/Barrel (High)	\$54.38/barrel (through March 2015)
90% of the Actual High	\$48.94/barrel
FY 16 Adopted Forecast Price	\$59.66/barrel
Difference between FY 16 Forecast & FY 15 Actual High Price 15 actual = \$10.72/barrel)	\$10.72/barrel (\$59.66, FY 16 forecast - \$48.94, 90% of FY 15 actual = \$10.72/barrel)
On average, every \$1/barrel equates to \$12 million	\$128.62 million total designated as nonrecurring for UAL

Diversion of those dollars to UAL payments precludes them for use in the operating budget.

Note: This legislation defines the actual price/barrel to be the previous calendar year's highest point. Based upon the latest calendar year actual (calendar year 2014 - \$108.22/barrel), if this legislation were in effect currently there would no nonrecurring designation as the current price/barrel would be significantly lower than 90% of actual.

Note: This legislation does not specify the specific data source that should be utilized to determine the high price actual. The economists that present SGF forecast to the REC utilize multiple data sources to forecast oil price. The illustration discussed above utilizes information reported by the Department of Natural Resources for Light Louisiana Sweet Crude.

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| <input type="checkbox"/> Senate | <input type="checkbox"/> Dual Referral Rules | <input type="checkbox"/> House | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S} | |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} | |

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