



**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**

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

<b>Date:</b> June 3, 2015	9:00 AM	<b>Author:</b> HAVARD
<b>Dept./Agy.:</b>		<b>Analyst:</b> Travis McIlwain
<b>Subject:</b> Budgetary Controls		

BUDGETARY CONTROLS RE SEE FISC NOTE GF RV See Note 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 prohibits the governor from including recommendations for appropriations of revenues designated as restricted in the executive budget. Proposed bill further provides that recommendations to appropriate restricted revenues be separate and apart from the executive budget recommendations.

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	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>						

  

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	<b>\$0</b>
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

This bill has the potential to limit the amount of SGF monies available for appropriation annually by the legislature. The specific impact will ultimately depend upon the price per barrel of oil. If the forecasted price per barrel is higher than previous year's calendar high price, then the REC can only approve a forecasted price that is 90% less than what the forecast would have been in absence of this legislation.

**REVENUE EXPLANATION**

This bill has the potential to limit the amount of SGF monies available for appropriation annually by the legislature and could provide some solution to budgetary mid-year deficit reduction only if the reduction in SGF resources is a direct result of the mineral forecast. 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 restricted by the REC.

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), based upon the current price per barrel in the adopted FY 17 forecast (\$64.96) and to the extent that FY 17 price remains constant from now until the FY 17 Executive Budget Presentation (February 2016), the amount that would be designated as restricted by the REC during the FY 17 budget development process would be \$192.2 million. See calculations below.

FY 15 Calendar Actual Price/Barrel (High)	\$54.38/barrel (through March 2015)
90% of the FY 15 Calendar Year Actual High	\$48.94/barrel
FY 17 Adopted Forecast Price	\$64.96/barrel
Difference between FY 17 Forecast & FY 15 Calendar Actual High Price	\$16.02/barrel (\$64.96 - \$48.94 = \$16.02)
On average, every \$1/barrel equates to \$12 million	<u>\$192.2 million</u> would be designated as restricted

Recognition of these dollars as restricted precludes them for use in the operating budget. However, this bill does provide for a mechanism by the which the governor and legislature may expend these monies as a supplementary section.

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 restricted designation as the current forecast price/barrel (\$61.77) would be significantly lower than 90% of calendar year 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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|-----------------------------------------------------------------------------|----------------------------|--------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|
| Senate                                                                      | <u>Dual Referral Rules</u> | 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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