

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 603** HLS 16RS 776
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: March 15, 2016 5:36 PM	Author: LEGER
Dept./Agy.:	Analyst: Greg Albrecht
Subject: Revenue Stabilization Trust Fund	

FUNDS/FUNDING OR SEE FISC NOTE SD RV See Note Page 1 of 1
 (Constitutional Amendment) Establishes the Revenue Stabilization Trust Fund

Proposed law establishes a new special fund named the Revenue Stabilization Trust Fund. The Fund is to receive mineral revenue between \$650 million and \$950 million per year after all existing allocations of mineral revenue are satisfied. Mineral revenues are defined severance taxes, royalties, bonuses, and rentals, except for any mineral revenue designated as nonrecurring, or the result of grants/donations, or from a tax on the transportation of minerals. In addition, the Fund is to receive corporate income and franchise tax receipts in excess of \$500 million per year. Monies in the Fund are to be invested as provided by law, and earnings of the Fund are to be deposited into the state general fund. A maximum of 5% of the fund balance may be appropriated from the Fund in any year in which the balance of the fund exceeds \$5 billion at the beginning of the year. These appropriations are limited to the same purposes as officially designated nonrecurring revenue (various types of capital outlay and debt payment). The minimum fund balance or the allowable percentage may be changed by a three-quarter vote of the legislature. To be submitted at the statewide election to be held on November 8, 2016.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
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>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
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>	\$0
Annual Total						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The bill appears intended to insure that all existing dedications of mineral revenue, statutory and constitutional, be satisfied before allocating mineral revenue to the new Revenue Stabilization Trust Fund. In effect, dedicating mineral revenue that would otherwise support state general fund appropriations, with the beginning threshold of \$650 million and up to \$950 million. As of the February 2016 REC meeting, mineral revenue forecasts for FY16 - FY20 are well below the bottom threshold of the bill (a high of \$611 million in FY16, dropping to \$463 million for FY17, then rising to \$582 million by FY20). From these forecast revenues certain existing dedications have to allocated (such as the parish severance and royalty distributions and the coastal protection fund). Thus, mineral revenue supporting general fund appropriations are even less than the gross amounts forecast. Allocations of mineral revenue to the new Fund created by this bill will not occur during the forecast horizon under current forecast conditions.

As of the February 2016 REC meeting, corporate income and franchise tax receipt forecasts for FY16 - FY20 are also well below the threshold for these revenues of \$500 million (\$359 million in FY16, rising to \$425 million in FY18, then dropping below \$300 million in FY19 and FY20). There are no existing dedications of these specific revenues, with all of these receipts supporting general fund appropriations.

However, actions taken in the 2016 1st Ex. Session increase corporate collections forecasts to \$516 million in FY18 before dropping back below the corporate threshold of the bill. Thus, some corporate revenue could be dedicated to the Revenue Stabilization Trust Fund and lost to the state general fund during the fiscal note horizon. Corporate receipts are highly volatile, and any potential dedication amounts are uncertain.

Senate Dual Referral Rules House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

John D. Carpenter
Legislative Fiscal Officer