

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 122** SLS 15RS 462
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | | |
|---|----------|-------------------------------|
| Date: May 6, 2015 | 12:45 PM | Author: ADLEY |
| Dept./Agy.: | | Analyst: Greg Albrecht |
| Subject: Increase Base Threshold for Stabilization Fund Deposits | | |

FUNDS/FUNDING EG +\$76,800,000 GF RV See Note Page 1 of 1
 Provides for an increase in the base amount of mineral revenues state receives prior to annual deposit into the Budget Stabilization Fund. (2/3-CA7s10.3(A)(2)(b)) (gov siq)

Current law provides for mineral revenues in excess of a base level to be deposited into the Budget Stabilization Fund. The current base is \$850 million dollars.

Proposed law increases the base amount to \$950 million.

Effective upon governor's signature.

| EXPENDITURES | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> | <u>2018-19</u> | <u>2019-20</u> | <u>5 -YEAR TOTAL</u> |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| 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 | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> | <u>2018-19</u> | <u>2019-20</u> | <u>5 -YEAR TOTAL</u> |
|---------------------|----------------|----------------|----------------|-----------------|-----------------|------------------------|
| State Gen. Fd. | \$0 | \$0 | \$76,800,000 | \$100,000,000 | \$100,000,000 | \$276,800,000 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$0 | \$0 | (\$76,800,000) | (\$100,000,000) | (\$100,000,000) | (\$276,800,000) |
| 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 |

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

Currently, mineral revenue received by the state (severance tax, royalty receipts, bonus payments, and rental payments) is first allocated to parish severance and royalty distributions, as provided by Art VII §4(D) and (E). Then the next \$850 million flows to the state general fund. Excess amounts are subject to deposit into the Budget Stabilization Fund, up to the annually calculated maximum allowed balance of the Fund. Currently, until July 1, 2017, any excess amounts are flowing to the SGF pursuant to RS 39:94(C)(4)(b). Thus, for FY16 and FY17, an increase in the base amount has no effect since all mineral revenue is flowing to the SGF anyway (other than what is constitutionally distributed back to the parishes). For FY18 and beyond, the higher base amount provided by this bill assures a greater amount of mineral revenue for the SGF, should mineral revenue in excess of the base amount and parish distributions be received.

Based on current official revenue forecasts, there is no expected excess mineral revenue for FY16. For FY17 there is \$44 million of excess expected. Since these receipts will flow to the SGF anyway, raising the base amount does not have an effect in FY17. In FY18, FY19, and FY20 there is \$76.8 million, \$131.6 million, and \$168 million of excess mineral revenue expected, respectively. This bill does affect those years because in the absence of this bill, those entire amounts would be subject to deposit into the Budget Stabilization Fund. This bill will retain \$100 million of those excess amounts for the SGF rather than the Budget Stabilization Fund.

Note: Current law allows the base amount to be increased every ten years beginning in the year 2014. The increase can not exceed 50% of the increase in the consumer price index for the immediately preceding ten years. That calculation would allow for an increase in the base amount to \$957.6 million.

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} | <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} | |

John D. Carpenter
 Legislative Fiscal Officer