

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



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

<b>Date:</b> May 27, 2015	10:16 AM	<b>Author:</b> HAVARD
<b>Dept./Agy.:</b>		<b>Analyst:</b> Travis McIlwain
<b>Subject:</b> Budgetary Controls		

BUDGETARY CONTROLS EG 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 requires the REC to designate certain revenues as nonrecurring if the forecast price is greater than 90% of the prior year actual price and if the official forecast of recurring state revenues is equal to or more than the continuation budget for the same fiscal year. 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.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
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>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</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>\$0</b>
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

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

**REVENUE EXPLANATION**

If there is enough recurring SGF revenue forecasted to fund the continuation budget and if the oil price forecast is greater than 90% of the previous calendar year's actual price, this bill could reduce the amount of SGF resources available annually for the operating budget and dedicates those resources for payment toward the outstanding UAL obligation. This dedication would only occur if the two triggers previously discussed are satisfied, which is not currently anticipated within the 5-year fiscal note window. For example, based upon the latest 5-Year Outlook Presentation by the Division of Administration (DOA) at the last JLCB meeting (5/20/2015), the latest adopted recurring SGF revenue forecast is not enough to support the anticipated continuation budget expenditures from now through FY 19. Therefore, the REC will likely not be required to use a forecasted oil price that is 90% of prior calendar year actual within an adopted forecast for at least the next five years based upon this current outlook.

To the extent the official recurring SGF forecast is enough to fully fund the continuation budget and to the extent the latest adopted forecast price per barrel of oil is greater than 90% of the previous calendar's year actual high, revenue associated with the difference between the forecast price and 90% of the prior year price would be designated as nonrecurring by the REC and utilized for the UAL. Diversion of those dollars to UAL payments precludes them for use in the operating budget. On average, every \$1 per barrel equates to approximately \$12 million of SGF resources.

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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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