

2016 Regular Session

HOUSE BILL NO. 477

BY REPRESENTATIVE IVEY

FUNDS/FUNDING: Provides for the dedication of mineral revenues

1 AN ACT

2 To amend and reenact R.S. 39:94(A)(2), R.S. 49:214.5.4(C) and (F), to enact Subpart P-4
3 of Part II-A of Part I of Chapter 1 of Subtitle I of Title 39 of the Louisiana Revised
4 Statutes of 1950, to be comprised of R.S. 39:100.111, and to repeal R.S. 48:77 and
5 R.S. 49:214.5.4(B) and (D), relative to mineral revenues, to provide for the
6 dedication of certain mineral revenues; to provide for a contingent effective date; and
7 to provide for related matters.

8 Be it enacted by the Legislature of Louisiana:

9 Section 1. R.S. 39:94(A)(2) is hereby amended and reenacted and Subpart P-4 of
10 Part II-A of Part I of Chapter 1 of Subtitle I of Title 39 of the Louisiana Revised Statutes of
11 1950, comprised of R.S. 39:100.111, is hereby enacted to read as follows:

12 §94. Budget Stabilization Fund

13 A. There is hereby created in the state treasury a special fund to be
14 designated as the Budget Stabilization Fund, hereafter referred to in this Section as
15 the "fund", which shall consist of all money deposited into the fund in accordance
16 with Article VII, Section 10.3 of the Constitution of Louisiana. Money shall be
17 deposited in the fund as follows:

18 * * *

19 ~~(2)(a) All revenues received in each fiscal year by the state in excess of nine~~
20 ~~hundred fifty million dollars, hereinafter referred to as the "base", as a result of the~~

1 ~~production of or exploration for minerals, hereinafter referred to as "mineral~~
2 ~~revenues", including severance taxes, royalty payments, bonus payments, or rentals,~~
3 ~~and excluding such revenues designated as nonrecurring pursuant to Article VII,~~
4 ~~Section 10(B) of the Constitution of Louisiana, any such revenues received by the~~
5 ~~state as a result of grants or donations when the terms or conditions thereof require~~
6 ~~otherwise and revenues derived from any tax on the transportation of minerals, shall~~
7 ~~be deposited in the fund after the following allocations of said mineral revenues have~~
8 ~~been made:~~

9 (i) ~~To the Bond Security and Redemption Fund as provided by Article VII,~~
10 ~~Section 9(B) of the Constitution of Louisiana.~~

11 (ii) ~~To the political subdivisions of the state as provided in Article VII,~~
12 ~~Sections 4(D) and (E) of the Constitution of Louisiana.~~

13 (iii) ~~As provided by the requirements of Article VII, Sections 10-A and 10.1~~
14 ~~of the Constitution of Louisiana.~~

15 (b) ~~The base may be increased every ten years beginning in the year 2014~~
16 ~~by a law enacted by two-thirds of the elected members of each house of the~~
17 ~~legislature. Any such increase shall not exceed fifty percent in the aggregate of the~~
18 ~~increase in the consumer price index for the immediately preceding ten years.~~

19 Mineral revenues as provided in R.S. 39:100.111.

20 * * *

21 SUBPART P-4. DEDICATION OF MINERAL REVENUES

22 §100.111. Mineral revenues

23 A. All revenues received in each fiscal year by the state as a result of the
24 production of or exploration for minerals, hereinafter referred to as mineral revenues,
25 and as further defined by Subsection C of this Section, shall be allocated as provided
26 in Subsection B of this Section after the following allocations of said mineral
27 revenues have been made:

28 (1) To the Bond Security and Redemption Fund as provided by Article VII,
29 Section 9 (B) of the Constitution of Louisiana.

1 (2) To the political subdivisions of the state as provided in Article VII,
2 Sections 4 (D) and (E) of the Constitution of Louisiana.

3 (3) To the Louisiana Wildlife and Fisheries Conservation Fund as required
4 by Article VII, Section 10-A of the Constitution of Louisiana.

5 (4) To the Louisiana Education Quality Trust Fund and the Louisiana
6 Education Quality Support Fund as provided in Article VII, Section 10.1 of the
7 Constitution of Louisiana.

8 (5) To the Coastal Protection and Restoration Fund as provided in Article
9 VII, Section 10.2 of the Constitution of Louisiana.

10 (6) To the Mineral Revenue and Audit Settlement Fund as provided in
11 Article VII, Section 10.5 of the Constitution of Louisiana.

12 B. Allocation of Mineral Revenues. All mineral revenues remaining after
13 the allocations provided in Paragraphs (1) through (6) of Subsection A of this
14 Section shall be annually distributed in the following order:

15 (1) The treasurer shall deposit in and credit to the Coastal Protection and
16 Restoration Fund any such remaining revenues, not to exceed five million dollars
17 per year.

18 (2) The treasurer shall then deposit in and credit to the Transportation Trust
19 Fund any remaining revenues, not to exceed fifty million dollars per year. Mineral
20 revenues deposited into the Transportation Trust Fund pursuant to this Paragraph
21 shall only be used for the following:

22 (a) The first twenty-five million dollars of the total monies deposited into the
23 Transportation Fund pursuant to this Paragraph shall be used exclusively for state
24 highway pavement and bridge sustainability projects.

25 (b) The next ten million shall be used exclusively for highway priority
26 program projects classified as capacity projects.

27 (c) The next ten million dollars shall be used exclusively for port
28 construction and development priority program projects.

1 (d) The next five million shall be transferred to the Louisiana State
2 Transportation Infrastructure Fund for use by the Louisiana State Transportation
3 Infrastructure Bank.

4 (3) The legislature shall appropriate any remaining revenues, not to exceed
5 five hundred million dollars per year, to the state retirement systems. Such money
6 shall be allocated to each state retirement system for the payment of unfunded
7 accrued liabilities in proportion to the balance of unfunded accrued liabilities of each
8 such system. For each system, such allocation shall be applied to the oldest
9 outstanding liability as defined in Subsection D of this Section. Any allocations
10 provided under this Paragraph shall be not used, directly or indirectly, to fund cost-
11 of-living increases for such systems.

12 (4) The legislature shall appropriate any remaining revenues, not to exceed
13 forty million dollars per year, to the state retirement systems to provide for cost-of-
14 living adjustments. Such money shall be allocated to each system in proportion to
15 the total annual benefits paid to retirees and beneficiaries by that system.

16 (5) The treasurer shall then deposit in and credit to the Coastal Protection
17 and Restoration Fund any remaining revenues, not to exceed ten million dollars per
18 year.

19 (6) The legislature shall appropriate any remaining revenues, not to exceed
20 forty million dollars per year, to the state retirement systems to provide for cost-of-
21 living adjustments. Such money shall be allocated to each system in proportion to
22 the total annual benefits paid to retirees and beneficiaries by that system.

23 (7) The treasurer shall then deposit in and credit to the Coastal Protection
24 and Restoration Fund any remaining revenues, not to exceed ten million dollars per
25 year.

26 (8) The treasurer shall then deposit in and credit to the Transportation Trust
27 Fund any remaining revenues, not to exceed forty million dollars per year. Mineral
28 revenues deposited into the Transportation Trust Fund pursuant to this Paragraph
29 shall only be used for the following:

1 (a) The first twenty million dollars of the total monies deposited into the
2 Transportation Fund pursuant to this Paragraph shall be used exclusively for state
3 highway pavement and bridge sustainability projects.

4 (b) The next eight million shall be used exclusively for highway priority
5 program projects classified as capacity projects.

6 (c) The next eight million dollars shall be used exclusively for port
7 construction and development priority program projects.

8 (d) The next four million shall be transferred to the Louisiana State
9 Transportation Infrastructure Fund for use by the Louisiana State Transportation
10 Infrastructure Bank.

11 (9) The legislature shall appropriate any remaining revenues, not to exceed
12 forty-five million dollars per year, to the state retirement systems. Such money shall
13 be allocated to each state retirement system for the payment of unfunded accrued
14 liabilities in proportion to the balance of unfunded accrued liabilities of each such
15 system. For each system, such allocation shall be applied to the oldest outstanding
16 liability as defined in Subsection D of this Section. Any allocations provided under
17 this Paragraph shall be not used, directly or indirectly, to fund cost-of-living
18 increases for such systems.

19 (10) The treasurer shall then deposit in and credit to the Transportation Trust
20 Fund any remaining revenues, not to exceed fifty million dollars per year. Mineral
21 revenues deposited into the Transportation Trust Fund pursuant to this Paragraph
22 shall only be used for the following:

23 (a) The first twenty-five million dollars of the total monies deposited into the
24 Transportation Fund pursuant to this Paragraph shall be used exclusively for state
25 highway pavement and bridge sustainability projects.

26 (b) The next ten million shall be used exclusively for highway priority
27 program projects classified as capacity projects.

28 (c) The next ten million dollars shall be used exclusively for port
29 construction and development priority program projects.

1 (d) The next five million shall be transferred to the Louisiana State
2 Transportation Infrastructure Fund for use by the Louisiana State Transportation
3 Infrastructure Bank.

4 (11) The treasurer shall then deposit in and credit to the Budget Stabilization
5 Fund any remaining revenues, subject to the limitations of Article VII, Section
6 10.3(C)(4) of the Constitution of Louisiana.

7 (12) The treasurer shall then deposit in and credit to the Transportation Trust
8 Fund any remaining revenues, not to exceed one hundred million dollars per year.
9 Mineral revenues deposited into the Transportation Trust Fund pursuant to this
10 Paragraph shall only be used for the following:

11 (a) The first fifty million dollars of the total monies deposited into the
12 Transportation Fund pursuant to this Paragraph shall be used exclusively for state
13 highway pavement and bridge sustainability projects.

14 (b) The next twenty million shall be used exclusively for highway priority
15 program projects classified as capacity projects.

16 (c) The next twenty million dollars shall be used exclusively for port
17 construction and development priority program projects.

18 (d) The next ten million shall be transferred to the Louisiana State
19 Transportation Infrastructure Fund for use by the Louisiana State Transportation
20 Infrastructure Bank.

21 (13) The legislature shall appropriate any remaining revenues, not to exceed
22 three hundred million dollars per year, to the state retirement systems. Such money
23 shall be allocated to each state retirement system for the payment of unfunded
24 accrued liabilities in proportion to the balance of unfunded accrued liabilities of each
25 such system. For each system, such allocation shall be applied to the oldest
26 outstanding liability as defined in Subsection D of this Section. Any allocations
27 provided under this Paragraph shall be not used, directly or indirectly, to fund cost-
28 of-living increases for such systems.

1 (14) The treasurer shall then deposit in and credit to the Transportation Trust
2 Fund any remaining revenues.

3 C. For purposes of this Section, mineral revenues shall include severance
4 taxes, royalty payments, bonus payments, or rentals, with the following exceptions:
5 (1) revenues designated as nonrecurring pursuant to Article VII, Section 10(B) of the
6 Constitution of Louisiana, (2) revenues received by the state as a result of grants or
7 donations when the terms or conditions thereof require otherwise, and (3) revenues
8 derived from any tax on the transportation of minerals.

9 D.(1) For the purposes of this Section, the phrase "oldest outstanding
10 liability" shall mean a state retirement system's oldest outstanding positive
11 amortization base, excluding any liability established pursuant to R.S.
12 11:102(B)(3)(c) or any particularized liabilities of a subplan.

13 (2) If there are multiple positive bases of the same age and the same
14 duration, all such bases shall be collapsed into a single base for purposes of this
15 Subsection.

16 (3) If there are multiple positive bases of the same age but of different
17 durations, the oldest outstanding positive amortization base with the shortest
18 remaining amortization period shall be treated as the "oldest" for purposes of this
19 Subsection.

20 Section 2. R.S. 49:214.5.4(C) and (F) are hereby amended and reenacted to read as
21 follows:

22 §214.5.4. Funding and resource allocation

23 * * *

24 ~~C. After making the allocations provided for in Subsection B of this Section,~~
25 ~~the~~ The treasurer shall ~~then~~ deposit in and credit to the Coastal Protection and
26 Restoration Fund any amount of mineral revenues that may be ~~necessary to ensure~~
27 ~~that a total of five million dollars is deposited into such fund for the fiscal year from~~
28 ~~this source; provided that the balance of the fund which consists of mineral revenues~~
29 ~~from severance taxes, royalty payments, bonus payments, or rentals shall not exceed~~

1 ~~the amount provided in Subsection F of this Section.~~ deposited into the fund under
2 R.S. 39:100.111.

3 * * *

4 F. The money in the fund shall be invested as provided by law and any
5 earnings realized on investment of money in the fund shall be deposited in and
6 credited to the fund. Revenues derived from integrated coastal protection programs,
7 projects, or activities shall be deposited in and credited to the fund. ~~Money from~~
8 ~~other sources, such as donations, appropriations, or dedications, may be deposited~~
9 ~~in and credited to the fund; however, the balance of the fund which, exclusive of~~
10 ~~federal revenues received as provided for in Subsection E of this Section, consists~~
11 ~~of mineral revenues from severance taxes, royalty payments, bonus payments, or~~
12 ~~rentals shall not exceed five hundred million dollars.~~ Any unexpended money
13 remaining in the fund at the end of the fiscal year shall be retained in the fund.

14 * * *

15 Section 3. R.S. 48:77 and R.S. 49:214.5.4(B) and (D) are hereby repealed in their
16 entirety.

17 Section 4. This Act shall take effect and become operative if and when the proposed
18 amendment of Article VII of the Constitution of Louisiana contained in the Act which
19 originated as House Bill No. ___ of this 2016 Regular Session of the Legislature is adopted
20 at a statewide election and becomes effective.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 477 Original 2016 Regular Session Ivey

Abstract: Dedicates certain mineral revenues towards retirement liabilities of the state retirement systems and transportation, and modifies deposits into the Coastal Protection and Restoration Fund and Budget Stabilization Fund.

Present law requires certain mineral revenues be deposited into the Coastal Protection and Restoration Fund, including 2% of all mineral revenue, the first \$5 million of excess mineral revenue, \$10 million over \$600 million in excess mineral revenue, and \$10 million over \$650 million in excess mineral revenue.

Present law requires amounts in excess of a mineral revenue base be deposited into the Budget Stabilization Fund. The current base was increased from \$850 million to \$950 million in the 2015 Regular Session.

Present law provides that mineral revenues in excess of the prior mineral revenue base and the new mineral revenue base, not to exceed \$100 million per year, shall be allocated for transportation purposes. The first \$70 million for state highway pavement and bridge sustainability projects. Of the remainder, not to exceed \$30 million, 7% goes to the Transportation and Infrastructure Bank and 93% is allocated as follows: 30% for capacity projects, 25% for port construction, 45% for state highway pavement and bridge sustainability projects.

Proposed law deletes the allocations above to the Coastal Protection and Restoration Fund, the Budget Stabilization Fund, the Transportation Trust Fund, and the Transportation Infrastructure Bank Fund, but provides for allocations to such funds and others. Requires mineral revenues, including severance taxes, royalty payments, bonus payments, or rentals, and excluding such revenues designated as nonrecurring, revenues received by the state as a result of grants or donations when the terms or conditions thereof require otherwise, and revenues derived from any tax on the transportation of minerals, shall be available only for payments toward retirement liabilities after the following constitutional allocations of said mineral revenues have been made:

- (1) To the Bond Security and Redemption Fund.
- (2) The severance tax and royalties allocated to the political subdivisions of the state.
- (3) Deposits required into the Conservation Fund, the Louisiana Education Quality Trust Fund, and the Louisiana Education Quality Support Fund.
- (4) Deposits into the Coastal Protection and Restoration Fund.
- (5) Deposits into the Mineral Revenue and Audit Settlement Fund.

Proposed law requires deposits and allocations in the following order:

- (1) Up to \$5 million to the Coastal Protection and Restoration Fund.
- (2) Up to \$50 million to the Transportation Trust Fund, to be used as follows:
 - (a) The first \$25 million for state highway pavement and bridge sustainability projects.
 - (b) The next \$10 million for highway priority program projects classified as capacity projects.
 - (c) The next \$10 million for port construction and development priority program projects.
 - (d) The next \$5 million for transfer to the La. State Transportation Infrastructure Fund for use by the La. State Transportation Infrastructure Bank.
- (3) Up to \$500 million to the state retirement systems. Such money shall be allocated to each state retirement system in proportion to the balance of unfunded accrued liabilities of each such system. For each system, such allocation shall be applied to the oldest outstanding liability as defined by law. Such allocation shall be not used, directly or indirectly, to fund cost-of-living increases for such systems.
- (4) Up to \$45 million per year to the state retirement systems to provide for cost-of-living adjustments. Such money shall be allocated to each system in proportion to the total annual benefits paid to retirees and beneficiaries by that system.

- (5) Up to \$10 million per year to the Coastal Protection and Restoration Fund.
- (6) Up to \$40 million per year to the state retirement systems to provide for cost-of-living adjustments. Such money shall be allocated to each system in proportion to the total annual benefits paid to retirees and beneficiaries by that system.
- (7) Up to \$10 million per year to the Coastal Protection and Restoration Fund.
- (8) Up to \$40 million to the Transportation Trust Fund, to be used as follows:
 - (a) The first \$20 million for state highway pavement and bridge sustainability projects.
 - (b) The next \$8 million for highway priority program projects classified as capacity projects.
 - (c) The next \$8 million for port construction and development priority program projects.
 - (d) The next \$4 million for transfer to the La. State Transportation Infrastructure Fund for use by the La. State Transportation Infrastructure Bank.
- (9) Up to \$45 million to the state retirement systems. Such money shall be allocated to each state retirement system in proportion to the balance of unfunded accrued liabilities of each such system. For each system, such allocation shall be applied to the oldest outstanding liability as defined by law. Such allocation shall not be used, directly or indirectly, to fund cost-of-living increases for such systems.
- (10) Up to \$50 million to the Transportation Trust Fund, to be used as follows:
 - (a) The first \$25 million for state highway pavement and bridge sustainability projects.
 - (b) The next \$10 million for highway priority program projects classified as capacity projects.
 - (c) The next \$10 million for port construction and development priority program projects.
 - (d) The next \$5 million for transfer to the La. State Transportation Infrastructure Fund for use by the La. State Transportation Infrastructure Bank.
- (11) To the Budget Stabilization Fund, until it reaches its capacity.
- (12) Up to \$100 million to the Transportation Trust Fund, to be used as follows:
 - (a) The first \$50 million for state highway pavement and bridge sustainability projects.
 - (b) The next \$20 million for highway priority program projects classified as capacity projects.
 - (c) The next \$20 million for port construction and development priority program projects.
 - (d) The next \$10 million for use by a state transportation infrastructure bank.
- (13) Up to \$300 million per year, to the state retirement systems. Such money shall be allocated to each state retirement system in proportion to the balance of unfunded accrued liabilities of each such system. For each system, such allocation shall be applied to the oldest outstanding liability as defined by law. Any allocations provided under this Subparagraph shall not be used, directly or indirectly, to fund cost-of-living increases for such systems.
- (14) Any remaining money, to be deposited into the Transportation Trust Fund.

Effective if and when the proposed amendment of Article VII of the Constitution of La. contained in the Act which originated as House Bill No. ____ of this 2016 R.S. of the Legislature is adopted at a statewide election and becomes effective.

(Amends R.S. 39:94(A)(2), R.S. 49:214.5.4(C) and (F); adds R.S. 39:100.111; Repeals R.S. 48:77 and R.S. 49:214.5.4(B) and (D))