

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 716** HLS 16RS 474
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: March 30, 2016 1:23 PM	Author: MORRIS, JAY
Dept./Agy.:	Analyst: Greg Albrecht
Subject: Mineral Revenue Stabilization Trust Fund	

FUNDS/FUNDING OR -\$200,000,000 GF RV See Note Page 1 of 1
 Establishes the Mineral Revenue Stabilization Trust Fund for the deposit of mineral revenues and provides for the dedication of mineral revenues

Proposed law establishes a new special fund named the Mineral Revenue Stabilization Trust Fund. The Fund is to receive mineral revenue after existing allocations are satisfied and a deposit of \$600 million per year has been made into the state general fund. Mineral revenues are defined as severance taxes, royalties, bonuses, and rentals, except for any revenue designated as nonrecurring, the result of grants/donations, or from a tax on the transportation of minerals. Monies in the Fund are to be invested in the same manner as the Millennium Trust, and 100% of earnings of the Fund are to be deposited back into the Fund during FY18 - FY22. Beginning in FY23, 75% of annual earnings shall be appropriated 50% for capital outlay and 50% higher education expenses. Annual earnings can not be pledged to bond repayment. The allocation to the Budget Stabilization Fund is established at no more than \$200 million per year, with the base calculation removed, and the statutory 2% allocation to the Coastal Protection and Restoration Fund is limited to an amount determined for FY15. Contingent upon adoption and effectiveness of the constitutional amendment proposed by HB 508 of this session. That amendment is to be submitted at the statewide election on November 8, 2016, and if approved is effective July 1, 2017.

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	\$0	\$0	\$0	\$0	\$0	\$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	(\$200,000,000)	(\$200,000,000)	(\$200,000,000)	(\$200,000,000)	(\$800,000,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$200,000,000	\$200,000,000	\$200,000,000	\$200,000,000	\$800,000,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$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

Beginning with FY18, the bill changes certain allocations of mineral revenue by requiring up to \$200 million per year to be deposited to the Budget Stabilization Fund, capping the statutory 2% allocation to the Coastal Protection and Restoration Fund (the wetlands fund) at the FY15 amount, capping the parish severance and royalty allocations at their FY15 amounts (by virtue of this bill being contingent upon the constitutional amendment contained in HB 508 of this session which, in part, caps those allocations), allocating \$600 million per year to the state general fund, then allocating excess mineral revenue to the new Mineral Revenue Stabilization Trust Fund created by the bill.

As of the March 2016 REC meeting, mineral revenue forecasts for FY18 and beyond are well below the levels necessary to provide allocation to the Budget Stabilization Fund or to exceed the caps provided for the parish severance and royalty allocations or the statutory 2% allocation to the wetlands fund. Using FY18 as the example year, the total affected mineral revenue forecast is \$521.9 million. From that total, \$4.1 million is allocated to the Forest Productivity Fund and to AG/DNR Legal Support (existing dedications of severance and royalty receipts are assumed unaffected unless explicitly provided in the bill). Then parish severance and royalty allocations of \$40.1 million are made (well below their \$77.8 million FY15 cap provided in the bill), as is a \$14.6 million wetlands fund allocation (the FY15 statutory 2% allocation is \$0). This leaves \$463.2 million of mineral revenue. While, under current law, there will be no prohibition against mineral revenue flowing to the Budget Stabilization Fund, there is insufficient mineral revenue to make such an allocation (there must be in excess of \$950 million after parish severance and royalty allocations). Thus, under current law, all \$463.2 million of available mineral revenue flows to the state general fund. However, this bill will allocate \$200 million of that mineral revenue to the Budget Stabilization Fund, resulting in that much loss to the state general fund. Given the current outlook for mineral revenue, this result occurs for all subsequent years of the fiscal note horizon, and no deposits to the new Mineral Revenue Stabilization Trust Fund are anticipated in the foreseeable future.

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