

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



Fiscal Note On: **HB 646** HLS 16RS 557  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

|  |          |                               |
|--|----------|-------------------------------|
| <b>Date:</b> April 1, 2016                               | 11:22 AM | <b>Author:</b> HARRIS, L.     |
| <b>Dept./Agy.:</b>                                       |          | <b>Analyst:</b> Greg Albrecht |
| <b>Subject:</b> Mineral Revenue Stabilization Trust Fund |          |                               |

FUNDS/FUNDING OR -\$317,000,000 GF RV See Note Page 1 of 1  
 (Constitutional Amendment) Establishes the Mineral Revenue Stabilization Trust Fund and provides for dedication of mineral revenues

Proposed amendment 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 \$200 million per year has been made into the state general fund. The new trust Fund is also to receive mineral revenue available once the Budget Stabilization Fund is filled to its maximum balance. 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 as provided by law, and only earnings of the Fund are to be appropriated for (1) new highway construction for which federal matching funds are available, and (2) other capital outlay projects.

To be submitted at the statewide election on November 8, 2016, and if approved is effective July 1, 2019.

| <b>EXPENDITURES</b> | <b>2016-17</b> | <b>2017-18</b> | <b>2018-19</b> | <b>2019-20</b> | <b>2020-21</b> | <b>5 -YEAR TOTAL</b> |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| 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>           |

  

| <b>REVENUES</b>     | <b>2016-17</b> | <b>2017-18</b> | <b>2018-19</b> | <b>2019-20</b>  | <b>2020-21</b>  | <b>5 -YEAR TOTAL</b>   |
|---------------------|----------------|----------------|----------------|-----------------|-----------------|------------------------|
| State Gen. Fd.      | \$0            | \$0            | \$0            | (\$317,000,000) | (\$317,000,000) | <b>(\$634,000,000)</b> |
| Agy. Self-Gen.      | \$0            | \$0            | \$0            | \$0             | \$0             | <b>\$0</b>             |
| Ded./Other          | \$0            | \$0            | \$0            | \$317,000,000   | \$317,000,000   | <b>\$634,000,000</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>             |

**EXPENDITURE EXPLANATION**

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

**REVENUE EXPLANATION**

Beginning with FY20, the bill reallocates mineral revenue to the new Mineral Revenue Stabilization Trust Fund created by this bill after depositing \$200 million per year into the state general fund.

As of the March 2016 REC meeting, mineral revenue forecasts for FY20 and beyond are well below recent historical levels. Using FY20 as the example year, the total affected mineral revenue forecast is \$581.5 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). Then parish severance and royalty allocations of \$44.8 million are made as is a \$15.7 million wetlands fund allocation. This leaves \$517 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 \$517 million of available mineral revenue flows to the state general fund. However, this bill appears to only allocate \$200 million of that mineral revenue to the state general fund, with the balance (\$317 million) allocated to new Mineral Revenue Stabilization Trust Fund. Thus, this reallocation results in a 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 (the FY20 REC forecast is used for both FY20 and FY21 of the fiscal note since there is not yet a REC forecast for FY21).

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**