



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 477** HLS 16RS 152
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 28, 2016 1:13 PM	Author: IVEY
Dept./Agy.: Treasury	Analyst: Greg Albrecht
Subject: Dedication of Mineral Revenue to the UAL	

FUNDS/FUNDING OR -\$463,100,000 GF RV See Note Page 1 of 1
 Provides for the dedication of mineral revenues

Proposed amendment changes the allocations of mineral revenue (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) associated with Coastal Protection Fund (CPF) and the Budget Stabilization Fund (BSF) to include allocations for the Transportation Trust Fund (TTF), as well as the unfunded accrued liabilities of the state retirement systems (UAL) and cost-of-living adjustments for state retirees (COLA). After parish severance and royalty allocations, \$5 million is to be deposited to the Coastal Protection Fund, then \$50 million to the TTF (with specified allocations within the TTF). The next \$500 million is to be appropriated proportionately for the UAL, the next \$40 million for state retiree COLAs, the next \$10 million to the CPF, the next \$40 million for COLAs, the next \$10 million to the CPF, the next \$40 million to the TTF, the next 45 million for the UAL, the next \$50 million to the TTF, remaining revenue is to be deposited into the Budget Stabilization Fund up to its maximum balance, then the next \$100 million to the TTF, the next \$300 million for the UAL, with any remaining revenue allocated to the TTF. Contingent upon adoption of the constitutional amendment contained in HB 504, 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	SEE BELOW	SEE BELOW	SEE BELOW	\$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>	<u>\$0</u>
Annual Total	\$0	\$0				\$0

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	(\$463,100,000)	(\$495,500,000)	(\$517,000,000)	(\$517,000,000)	(\$1,992,600,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$472,700,000	\$505,700,000	\$527,600,000	\$527,600,000	\$2,033,600,000
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>	<u>\$0</u>
Annual Total	\$0	\$9,600,000	\$10,200,000	\$10,600,000	\$10,600,000	\$41,000,000

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. However, the bill provides substantial annual resources to the UAL of the state retirement systems. Total UAL costs and budgetary savings could be realized by FY19, and would be spread across means-of-finance. Specific projected savings require an actuarial analysis of specific amounts applied to the UAL.

REVENUE EXPLANATION

Beginning with FY18, the bill reallocates mineral revenue to the Transportation Trust Fund, the unfunded accrued liability of the state retirement systems, and cost-of-living adjustments for state retirees. These new allocations are ultimately funded by the state general fund, the Budget Stabilization Fund, and the Coastal Protection Fund.

As of the March 2016 REC meeting, mineral revenue forecasts for FY18 and beyond are well below recent historical levels. 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 amended or repealed). Then parish severance and royalty allocations of \$40.1 million are made. Under this bill, \$5 million will then be allocated to the Coastal Protection Fund. Then \$50 million will be allocated to the Transportation Trust Fund. This leaves \$422.7 million of mineral revenue to be allocated to the UAL of the state retiree systems (of the \$500 maximum allocation provided by the bill).

Relative to the current law allocations expected for FY18, the proposed bill reallocates \$472.7 million of mineral revenue to the TTF (\$50 million) and the UAL (\$422.7 million) that would otherwise support the Coastal Protection Fund (\$9.6 million) and the state general fund (\$463.1 million). Under the current mineral revenue outlook, comparable annual diversions of revenue from the Coastal Fund and the state general fund occur throughout 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). In FY21, the Transportation Trust Fund receives \$50 million and the UAL \$477.6 million, while the Coastal protection fund receives \$10.7 million less and the state general fund \$517 million less.

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