



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 603** HLS 16RS 776
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | | |
|--|---------|-------------------------------|
| Date: May 4, 2016 | 3:00 PM | Author: LEGER |
| Dept./Agy.: | | Analyst: Greg Albrecht |
| Subject: Revenue Stabilization Trust Fund | | |

FUNDS/FUNDING EG SEE FISC NOTE SD RV See Note Page 1 of 1
 (Constitutional Amendment) Establishes the Revenue Stabilization Trust Fund

Proposed law establishes a new special fund named the Revenue Stabilization Trust Fund. The Fund is to receive corporate income and franchise tax receipts in excess of \$500 million per year. In addition, 30% of mineral revenue between \$660 million and \$950 million per year (after various existing allocations of mineral revenue are satisfied) is to be allocated to UAL of the state employee and the teacher's retirement systems and 70% is to be deposited to the new Trust Fund. Mineral revenue received once the Budget Stabilization Fund is filled to its maximum is to be allocated to the the UAL , as well (30%)and the balance (70%) deposited to the Fund. Mineral revenues are defined as severance taxes, royalties, bonuses, and rentals, except for any mineral revenue designated as non-recurring, or any revenues that are the result of grants/donations or from a tax on the transportation of minerals. Earnings of the Fund are to be deposited into the state general fund. A maximum of 10% of the Fund balance may be appropriated from the Fund in any year in which the balance of the Fund exceeds \$5 billion at the beginning of the year. These appropriations are limited to comprehensive state capital budget projects and transportation infrastructure. The minimum fund balance or the allowable percentage may be changed by a three-quarter vote of the legislature, as can appropriations from the Fund at ay time for any purpose. Submitted at the statewide election to be held on 11/8/16.

| 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 | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | \$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. | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | |
| 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> | \$0 |
| Annual Total | | | | | | |

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

The bill appears intended to insure that all existing dedications of mineral revenue, statutory and constitutional, be satisfied before allocating mineral revenue to the new Revenue Stabilization Trust Fund, as well as providing priority allocations of mineral revenue to the UALs of the retirement systems of teachers and state employees. In effect, dedicating mineral revenue that would otherwise support state general fund appropriations, with the beginning threshold of \$660 million and up to \$950 million. As of the March 2016 REC meeting, mineral revenue forecasts for FY16 - FY20 are well below the bottom threshold of the bill (\$462.8 million in FY17, \$521.9 million in FY18, \$557.7 million in FY19, and \$581.5 million in FY20 - there is not REC forecast for FY21 yet). From these forecast revenues various existing dedications have to allocated (such as the parish severance and royalty distributions, the Coastal Protection Fund, the Budget Stabilization Fund etc). Thus, mineral revenue supporting general fund appropriations are even less than the gross amounts forecast. Allocations of mineral revenue to the new Fund created by this bill will not occur during the forecast horizon under current forecast conditions. However, mineral revenue receipts are subject to substantial volatility, and forecasts are revised periodically. It is possible for dedications of what would otherwise be general fund resources to occur within the forecast horizon.

As of the March 2016 REC meeting, corporate income and franchise tax receipt forecasts for FY16 - FY20 are also generally below the threshold for these revenues of \$500 million (\$423.5 million in FY17, \$515.9 million in FY18, \$361.4 million in FY19, and \$414.3 million in FY20). There are no existing dedications of these specific revenues, with all of these receipts supporting general fund appropriations.

However, actions taken in the 2016 1st Ex. Session increase corporate collections forecasts over the bill's \$500 million threshold in FY18 (\$515.9 million) then dropping back below the corporate threshold of the bill. Thus, some corporate revenue could be dedicated to the Revenue Stabilization Trust Fund and lost to the state general fund during the fiscal note horizon. Corporate receipts are highly volatile, and any potential dedication amounts are uncertain.

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