Louisiana Legislative Fiscal Office Fiscal Notes

LEGISLATIVE FISCAL OFFICE
Fiscal Note Summary

FISCAL NOTE ON: HB 873
HLS 97- 487

STATUS OF BILL: ORIGINAL

DATE COMPLETED: April 13, 1997	**AUTHOR:** Downer
Dept/Agy: Treasury	**ANALYST:** Greg Albrecht
Subject: Stabilization Fund - Nonrecurring Revenue	

PURPOSE OF BILL:

FUNDS/FUNDING: (Constitutional Amendment) Provides for allowable uses of nonrecurring revenues and provides for deposit of certain revenues into the Revenue Stabilization Fund (formerly the Revenue Stabilization/Mineral Trust Fund) and restructures the allowable uses of monies in the fund

Retains the major provisions of the existing trust fund but adds 25% of any monies officially designated as nonrecurring revenue as a source of revenue to the fund, as well as any monies specifically appropriated to the fund. The fund balance shall not exceed 5% of the official forecast for the previous year. Up to a third of the fund can be used to support general appropriations if a deficit for the current fiscal year is projected or the official revenue forecast for ensuing year is less than the official forecast for the current year. To be submitted at the 1998 congressional primary election.

ESTIMATED FISCAL IMPACT:

EXPENDITURES	1997/98	1998/99	1999/00	2000/01	2001/02	5 YEAR
State General Funds	$0	$0	$0	$0	$0	$0
Agency Self Generated	$0	$0	$0	$0	$0	$0
Statutory Deds./Other	$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	$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

EXPENDITURES:

To date, nonrecurring revenues have primarily been composed of annual state general fund surplus balances. It is more likely that this new fund would receive deposits from this source than the receipt of mineral revenues in excess of a relatively high threshold. While the new fund would also receive mineral revenue in excess of the threshold, that threshold has not been exceeded during the life of the current fund and it is not likely to be exceeded in the future. Thus, the new fund is likely to receive deposits. Based on surpluses over the last 4 years, 25% deposits would have ranged from $25 million to $79 million each year. The 5% cap applied against the current FY98 revenue forecast, means the fund balance could accumulate to an amount in excess of $325 million over several years, and grow as revenue grows.

Monies designated as nonrecurring are currently restricted to the retiring or defeasance of bonds. This bill will reduce the amount of any nonrecurring monies available for this purpose because it allocates 25% to this new fund. Based on past debt defeasance practice, this will result in only a modest reduction in interest savings from these debt reductions since only small amounts of interest were being saved anyway. This is because only serial bonds coming due in the next one to two fiscal years were defeased. In effect, the nonrecurring revenue was utilized in the next year's operating budget. Under this bill, a limited amount of nonrecurring revenue deposited to the fund would still be allowed to be used in the operating budget if a deficit is projected or if revenue estimates decline.

ESTIMATED FISCAL IMPACT:

REVENUES	1997/98	1998/99	1999/00	2000/01	2001/02	5 YEAR
State General Funds	$0	$0	$0	$0	$0	$0
Agency Self Generated	$0	$0	$0	$0	$0	$0
Statutory Deds./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:

There is no anticipated direct effect on revenues as a result of this measure.

☒ Senate Rule 13.5.1 Finance Committee
☐ Senate Rule 13.5.2 Revenue & Fiscal Affairs

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EXPENDITURES: **(Continued)**

While the fund would be available to offset some of the revenue declines that can occur due to fluctuations in the economy or in the oil & gas markets, the Fund's deposits could be used if revenue estimates decline across two fiscal years, for whatever reasons. One of the common reasons for a decline has been the expiration of the suspension of sales tax exemptions. <u>Stabilization Fund monies could be utilized to offset some of the revenue forecast decline from these suspension expirations</u> or, from other purposeful reductions in the tax base or tax rate regime of the state.

☒ **Senate Rule 13.5.1 Finance Committee**
☐ **Senate Rule 13.5.2 Revenue & Fiscal Affairs**

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