



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: SB 147 SLS 11RS 314
Bill Text Version: ENROLLED
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: June 28, 2011 11:36 AM
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Dept./Agy.:
Subject: Budget Stabilization Fund
Analyst: Greg Albrecht

FUNDS/FUNDING EN -\$66,133,000 GF RV See Note Page 1 of 1
Constitutional amendment to provide relative to deposits into the Budget Stabilization Fund. (2/3-CA13s1(A))

Current law provides for automatic deposits to the Budget Stabilization Fund from mineral revenue over certain thresholds (\$850 million plus parish severance and royalty allocations). Proposed law provides that if mineral revenues exceed the base threshold and money in the fund is made available for appropriation or use, automatic deposits of mineral revenue in the amount withdrawn for use shall not occur in the fiscal year for which the money in the Fund was appropriated or incorporated into the official forecast, nor for the ensuing fiscal year. Automatic mineral revenue deposits of the amount withdrawn for use would then resume in the subsequent fiscal years in amounts limited to one-third of the last amount used from the Fund, until that amount has been replenished or the Fund has reached its maximum allowed balance. Each withdrawal from the Fund is subject to these replenishment provisions, and automatic deposits already anticipated in the official forecast when a withdrawal is authorized continue regardless of the withdrawal. To be submitted at the statewide election on October 22, 2011.

Table with 7 columns: EXPENDITURES/REVENUES, 2011-12, 2012-13, 2013-14, 2014-15, 2015-16, 5-YEAR TOTAL. Rows include State Gen. Fd., Agy. Self-Gen., Ded./Other, Federal Funds, Local Funds, and Annual Total.

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

The bill attempts to address a situation that occurred near the end of FY10, when the revenue forecast for that year dropped dramatically at year-end, triggering availability of the Budget Stabilization Fund. After the appropriate legislative steps, \$198.4 million was withdrawn to support FY10 state general fund appropriations. Since mineral revenue collections at that time were well above the thresholds established for diversion into the Budget Stabilization Fund rather than the state general fund, this withdrawal from the Fund would have necessitated a diversion of mineral revenue into the Fund. This mineral revenue was already obligated to supporting FY10 appropriations. Thus, in a case such as this, using the Budget Stabilization Fund would trigger a diversion of already obligated resources from the state general fund back into the Budget Stabilization Fund. Basically, the use of the Fund itself negated the purpose for which the Fund exists, to support and stabilize state general fund appropriations when state general fund revenue forecasts are reduced.

Current law attempts to allow for use of the Budget Stabilization Fund in these cases by prohibiting the automatic flow of mineral revenue into the Fund until revenue forecasts exceed the actual collections received in FY08, a high water mark for state revenue collections, and a level not anticipated to be reached again at least within the current forecast horizon.

Proposed law allows for use of the Budget Stabilization Fund in these cases by prohibiting unanticipated automatic flows of mineral revenue into the Fund during the fiscal year in which the Fund was used and the ensuing fiscal year. After that pause, unanticipated automatic mineral revenue flows resume, annually limited to one-third of the last withdrawal from the Fund, until the withdrawal is replenished or the maximum allowed Fund balance is reached. Anticipated replenishment of a previous withdrawal are not affected by subsequent withdrawals. These provisions presumably allow the replenishment of withdrawals to be planned for in the budget planning horizon.

Currently, all automatic mineral revenue flows into the Fund have been prohibited by current law. Once this amendment is adopted (fall 2011) these provisions and companion statutory provisions would call for partial resumption of mineral revenue flows into the Budget Stabilization Fund during FY12 (1/3 of the last withdrawal of \$198.4 million made in FY10). These mineral revenues are currently anticipated by the state general fund. Currently, the Fund balance is approximately \$155.5 million below its maximum allowed balance, and mineral revenues above the base threshold are expected. Annual replenishment up to the maximum allowed balance occur in FY12 - FY14, and full automatic flows occur after that, subject to the maximum allowed balance. The maximum balance is annually recalculated, and mineral revenue forecasts also change.

Senate Dual Referral Rules House
[X] 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} [X] 6.8(F)1 >= \$500,000 Annual Fiscal Cost {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}
H. Gordon Monk
Legislative Fiscal Officer