

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



Fiscal Note On: **SB 463** SLS 20RS 847

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

|  |         |                                   |
|--|---------|-----------------------------------|
| <b>Date:</b> May 8, 2020                                     | 2:47 PM | <b>Author:</b> WARD               |
| <b>Dept./Agy.:</b> Transportation and Development            |         | <b>Analyst:</b> Alan M. Boxberger |
| <b>Subject:</b> Dedicates certain revenues to transportation |         |                                   |

FUNDS/FUNDING OR DECREASE GF RV See Note Page 1 of 2  
Provides for the dedication of certain revenues to transportation. (gov sig)

Present law directs the state treasurer to deposit up to \$100 M per year of excess mineral revenues received by the state into the Transportation Trust Fund (TTF). Proposed law directs the treasurer to deposit excess oil severance tax avails to the TTF, defines excess avails as oil severance tax that is in excess of the oil severance tax that would have been collected if the per barrel oil price had been fifty-five dollars, and provides for allowable uses of monies deposited into the TTF pursuant to proposed law.

| EXPENDITURES        | 2020-21    | 2021-22    | 2022-23    | 2023-24    | 2024-25    | 5 -YEAR TOTAL     |
|---------------------|------------|------------|------------|------------|------------|-------------------|
| State Gen. Fd.      | SEE BELOW  | SEE BELOW  | SEE BELOW  | SEE BELOW  | SEE BELOW  |                   |
| Agy. Self-Gen.      | \$0        | \$0        | \$0        | \$0        | \$0        | <b>\$0</b>        |
| Ded./Other          | SEE BELOW  | SEE BELOW  | SEE BELOW  | SEE BELOW  | SEE BELOW  |                   |
| 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><u>\$0</u></b> |
| <b>Annual Total</b> |            |            |            |            |            |                   |

  

| REVENUES            | 2020-21    | 2021-22    | 2022-23    | 2023-24    | 2024-25    | 5 -YEAR TOTAL     |
|---------------------|------------|------------|------------|------------|------------|-------------------|
| State Gen. Fd.      | DECREASE   | DECREASE   | DECREASE   | DECREASE   | DECREASE   |                   |
| Agy. Self-Gen.      | \$0        | \$0        | \$0        | \$0        | \$0        | <b>\$0</b>        |
| Ded./Other          | INCREASE   | INCREASE   | INCREASE   | INCREASE   | INCREASE   |                   |
| 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><u>\$0</u></b> |
| <b>Annual Total</b> |            |            |            |            |            |                   |

**EXPENDITURE EXPLANATION**

There is no anticipated direct material effect on governmental expenditures as a result of this measure. Proposed law will potentially increase deposits into the Transportation Trust Fund - Regular and restrict expenditures of those monies to the following purposes:

1. The first \$70 M of the total monies shall be used exclusively for state highway pavement and bridge sustainability projects in accordance with the Department of Transportation and Development (DOTD) definitions of such projects.
2. After compliance with the provisions of Paragraph 1, ninety-three percent of the remaining monies shall be appropriated and expended as follows:
  - a) Not less than thirty percent shall be dedicated to highway priority program projects classified as capacity projects in accordance with DOTD definitions of such projects.
  - b) Twenty-five percent shall be used exclusively for port construction and development priority program projects as provided in Chapter 47 of Title 34 (R.S. 34:3451 through 3463).

**SEE EXPENDITURE EXPLANATION CONTINUED ON PAGE TWO**

**REVENUE EXPLANATION**

Proposed law would result in additional deposits into the Transportation Trust Fund - Regular (TTF) and a corresponding decrease in deposits into the SGF equal to excess oil severance tax that would have been collected if the per barrel oil price had been \$55. For purposes of this fiscal note, the LFO assumes that for every \$1 increase over \$55/barrel of oil, the Transportation Trust Fund would realize increased deposits of approximately \$11 M and the SGF would realize a corresponding decrease. Proposed law directs that "excess avails" shall mean oil severance tax avails in excess of the oil severance tax that would have been collected if the per barrel oil price had been \$55 for any fiscal year in which the last official forecast of revenues adopted for the fiscal year prior to the start of that year contain an estimate of oil severance tax revenues determined using a price per barrel that is greater than \$55. This appears to direct the treasurer to deposit monies into the TTF based on the revenue estimate adopted during budget development and occurring prior to the start of the presumptive fiscal year, without regard to actual oil severance collections. For illustrative purposes, if the revenue estimate for FY 21 were to include an assumed \$57 per barrel price of oil, the treasury would deposit \$22 M (\$11 M x \$2/barrel of oil over the \$55/barrel trigger) in lieu of depositing those monies into the SGF. This will be done without regard to the actual average price of a barrel of oil realized during FY 21, including if the average falls below \$55/barrel.

**SEE REVENUE EXPLANATION CONTINUED ON PAGE TWO**

|   |                            |  |
|---|----------------------------|--|
| <u>Senate</u>   | <u>Dual Referral Rules</u> | <u>House</u>   |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}       |                            | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}                    |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H} |                            | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

*Evan Brasseaux*  
**Evan Brasseaux**  
**Staff Director**

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**CONTINUED EXPLANATION from page one:**

**EXPENDITURE EXPLANATION CONTINUED FROM PAGE ONE**

c) The remainder of the monies after compliance with Subparagraphs 2. a) and b) shall be used exclusively for highway priority projects. Such projects shall be specifically for state highway pavement and bridge sustainability in accordance with the DOTD definitions of such projects.

3. After compliance with the provisions of Paragraph 1, seven percent of the remaining monies shall be used exclusively for final design and construction and shall not be used for studies.

While proposed law does not otherwise directly impact state or local governmental expenditures, it does reallocate monies from the SGF into the Transportation Trust Fund when the revenue estimate for the subsequent fiscal year includes an assumption for the cost of a barrel of oil in excess of \$55. To this extent, any redirection of monies into the TTF would preclude those monies being used to fund SGF supported activities in state government. Any such impacts would be determined by legislative appropriation.

**REVENUE EXPLANATION CONTINUED FROM PAGE ONE**

The most recent estimate of the Revenue Estimating Conference was made on April 10, 2019. At that point in time, the official revenue estimate adopted included the following assumed average price per barrel of oil as follows: FY 21 - \$60, FY 22 - \$61.71, and FY 23 - \$62.17. If these assumptions were to remain in effect for the corresponding fiscal years, the revenue impact would be as follows (assuming \$11 M per \$1 change in price of oil per barrel):

|     | <u>FY 21</u> | <u>FY 22</u> | <u>FY 23</u> | <u>*FY 24</u> | <u>*FY 25</u> |
|-----|--------------|--------------|--------------|---------------|---------------|
| SGF | (\$55 M)     | (\$73.81 M)  | (\$78.87 M)  | N/A           | N/A           |
| TTF | \$55 M       | \$73.81 M    | \$78.87 M    | N/A           | N/A           |

\*There is no current revenue estimate forecasting FYs 24 and 25, therefore these years are reported as not available (N/A).

NOTE: Specific estimates of SGF loss and dedications to the Transportation Trust Fund are not reliable at this time because proposed law will be adopted during a period of unprecedented volatility of uncertain duration in the world oil market as a result of global demand weakness from the Covid-19 virus pandemic, and a global supply glut resulting from a market share competition between Saudi Arabia and Russia. Total state mineral revenue receipts will be substantially impacted by these events for the foreseeable future, and revenue forecasts have not yet been revised to incorporate this outlook. Given the likelihood that any revenue estimate adopted prior to June 30, 2020, will presumably decrease the assumed price per barrel for oil below the \$55 threshold, proposed law is not likely to create an impact on revenue allocations within the timeframe depicted in this fiscal note unless there are unanticipated market changes that result in a significant increase in the price of a barrel of oil.

Senate      Dual Referral Rules  
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}  
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House  
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}  
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

*Evan Brasseaux*  


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