

Regular Session, 2010

HOUSE BILL NO. 1397

BY REPRESENTATIVES ELLINGTON AND ROBIDEAUX

MINERALS: Creates the Mineral Income Advisory Committee

1 AN ACT

2 To amend and reenact R.S. 49:330, relative to certain mineral revenue contracts; to establish  
3 an advisory committee relative to contracting with respect to such contracts; to  
4 provide for committee membership, powers, duties, and functions; to provide for  
5 annual meetings; to provide for annual reporting; and to provide for related matters.

6 Be it enacted by the Legislature of Louisiana:

7 Section 1. R.S. 49:330 is hereby amended and reenacted to read as follows:

8 §330. Mineral Income Advisory Committee; Mineral revenue contracts by state  
9 treasurer

10 A.(1) The Mineral Income Advisory Committee is hereby created. The  
11 committee shall be composed of the following members:

12 (a) The chairman of the House Committee on Appropriations, or his  
13 designee.

14 (b) The chairman of the Senate Finance Committee, or his designee.

15 (c) The chairman of the House Committee on Ways and Means, or his  
16 designee.

17 (d) The chairman of the Senate Revenue and Fiscal Committee, or his  
18 designee.

19 (e) The chief economist of the Legislative Fiscal Office.

1           (2) The chairman of the House Committee on Appropriations, or his  
2           designee, shall serve as chair of the committee.

3           (3) The committee shall meet at least once annually, upon the call of the  
4           chair, no later than the first day of March.

5           (4) The secretary of the Department of Natural Resources, the secretary of  
6           the Department of Revenue, the commissioner of administration, and the state  
7           treasurer shall be available to the committee for the research relative to mineral  
8           revenue contracts as provided for in this Section.

9           (5) No later than the first of May each year, the committee shall report any  
10          findings and recommendations to the Revenue Estimating Committee, which shall  
11          consider any recommendations at their first meeting following receipt of such report.

12          ~~A.~~ B. The state treasurer, on behalf of the state, shall contract with respect  
13          to contracts commonly known as commodity or other swap agreements, forward  
14          payment conversion agreements, futures, or contracts providing for payments based  
15          on levels of or changes in commodity prices, contracts to exchange cash flows or a  
16          series of payments or contracts, including without limitation options, puts, or calls  
17          to hedge payment, rate, spread, or similar exposure and other devices in order to  
18          establish a firm price for all or part of the anticipated mineral production subject to  
19          state severance tax and royalty contract, subject to, and in accordance with, the  
20          following limitations, restrictions, and procedure:

21                 (1) Such action has been recommended by the Revenue Estimating  
22                 Conference to the Joint Legislative Committee on the Budget.

23                 (2) The recommendation of the Revenue Estimating Conference has been  
24                 reviewed by the Joint Legislative Committee on the Budget and the committee has  
25                 recommended the state treasurer enter into such contracts based on criteria  
26                 established by the committee which may direct that a portion of any revenue gain  
27                 associated with a contract be set aside or used to purchase risk protection to cover  
28                 any risk associated with the contract.

1           (3) All swap agreements, forward conversion agreements, future contract,  
2           or other contract authorized in this Section have been selected by the state treasurer  
3           through a request for proposal or bid process and any swap bank selected is at least  
4           "AA" rated according to industry standards or rated according to other standards  
5           adopted by the Mineral Income Advisory Committee.

6           (4) The proposed contract has been submitted for review and comment to the  
7           attorney general who for the purposes of this Section shall be considered and shall  
8           act as legal counsel for the Joint Legislative Committee on the Budget.

9           ~~B. C.~~ The Joint Legislative Committee on the Budget may require that  
10          appropriate insurance is purchased to ensure performance of the contract.

11          ~~C. D.~~ In no event shall any contract authorized pursuant to this Section be  
12          for a period longer than one year, whether calendar or fiscal.

#### DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

Ellington

HB No. 1397

**Abstract:** Creates the Mineral Income Advisory Committee to report to the Revenue Estimating Conference.

Present law provides for the state treasurer to engage in mineral revenue contracts.

Proposed law creates the Mineral Income Advisory Committee (the committee) composed of the following members:

- (1) The chairman of the House Committee on Appropriations, or his designee.
- (2) The chairman of the Senate Finance Committee, or his designee.
- (3) The chairman of the House Committee on Ways and Means, or his designee.
- (4) The chairman of the Senate Revenue and Fiscal Committee, or his designee.
- (5) The chief economist of the Legislative Fiscal Office.

Proposed law provides that the chairman of the House Committee on Appropriations, or his designee, shall serve as chair of the committee.

Proposed law provides that the committee shall meet at least once annually, upon the call of the chair of the committee, no later than the first day of March.

Proposed law provides that the secretary of the Dept. of Natural Resources, the secretary of the Dept. of Revenue, the commissioner of administration, and the state treasurer shall be available to the committee for the research.

Proposed law provides that no later than May 1 each year, the committee shall report any findings and recommendations to the Revenue Estimating Committee, which shall consider any recommendations at their first meeting following receipt of such report.

Present law provides that all contracts authorized have been selected by the state treasurer through a request for proposal or bid process and any swap bank selected is at least "AA" rated according to industry standards.

Proposed law retains present law and provides that the Mineral Income Advisory Committee may also use other standards to select the bank.

(Amends R.S. 49:330)

Summary of Amendments Adopted by House

Committee Amendments Proposed by House Committee on Appropriations to the original bill.

1. Corrected the name of the Legislative Fiscal Office.