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Fiscal Impacts of Laws 2015, Chapter 63 (House Bill 236)

**Staff Briefing
Presented to the
Public School Capital Outlay Oversight Task Force
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HB 236 Fiscal Impacts



Background

- STPF “share” of supplemental severance tax bond (SSTB) distributions pre-1999 was 50%. This was reduced over a period of 6 years (1999-2004) to 5%. The other 45% of SSTB proceeds provide funding for PSCOC’s Programs.
- Because of the reduction, the STPF corpus and resulting distributions to the state General Fund has been flat. HB236, when fully phased-in (FY22), will increase the distribution to 13.8%. This will increase the corpus of the STPF more rapidly with resulting annual increases in distributions to the state General Fund.

HB 236 (Harper) “INCREASE SEVERANCE TAX PERMANENT FUND INFLOWS”

- Timeline
 - As introduced, HB 236 reduced funding designated for legislative capital projects, education (PSCOC), water projects, colonias infrastructure projects, & tribal infrastructure projects resulting in an increase in the percent of contributions into the Severance Tax Permanent Fund (STPF). The bill phased the reductions across all programs over four years (FY16-FY19).
 - The final draft signed into law delays the impacts on education capital until FY19 and made adjustments to the capacity earmarked for tribal infrastructure (TIF) and colonias infrastructure projects to hold these beneficiaries approximately harmless.

L C S HB 236 Fiscal Impacts (cont.)

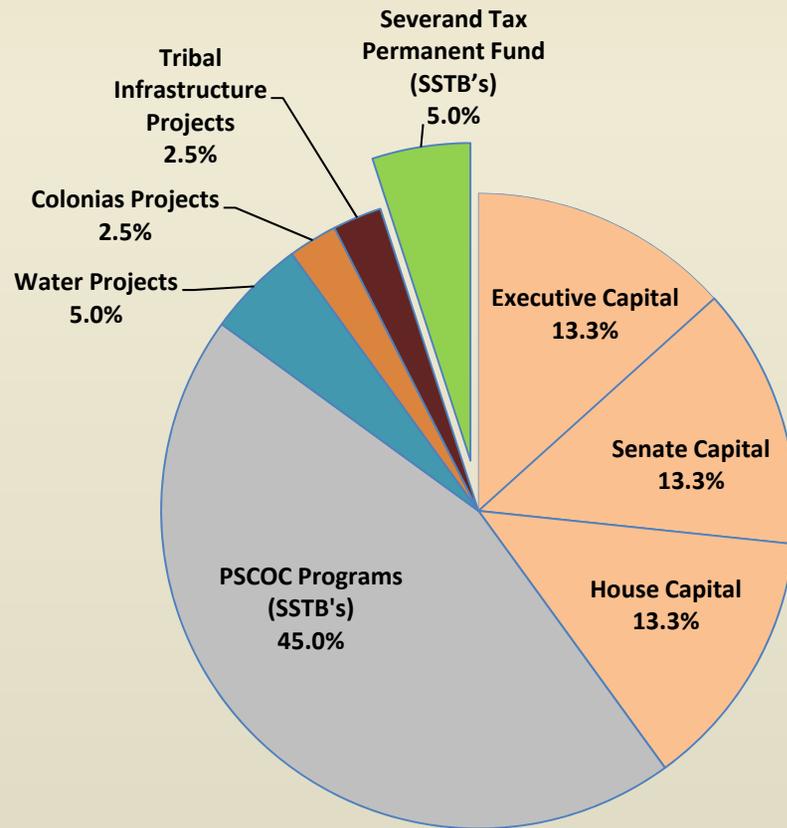


- Beginning in fiscal year 2016, total senior Severance Tax Bonding (STB) capacity is reduced 0.6% in each year 2016 through fiscal year 2019 until the capacity is 47.6%. Reductions to PSCOC program funding is delayed until 2019.
- Portions of senior STB proceeds are earmarked for water projects, tribal infrastructure and colonias infrastructure projects with the remaining capacity allocated for statewide projects.
- In the final version of the bill, the earmark of STB proceeds for tribal infrastructure and colonias infrastructure projects was increased from 5.0% to 6.5% in FY16 and 5.5% in FY 17 and every year thereafter. The result was to “hold harmless” the distribution impacts on these programs’ funds.
- The greatest reduction was to the PSCOC program from 45% to 38.6%). However, the impact to the PSCOC program is delayed until FY2019 and reductions in funding are phased in gradually over four years (fully implemented in FY22).

HB 236 Fiscal Impacts (cont.)



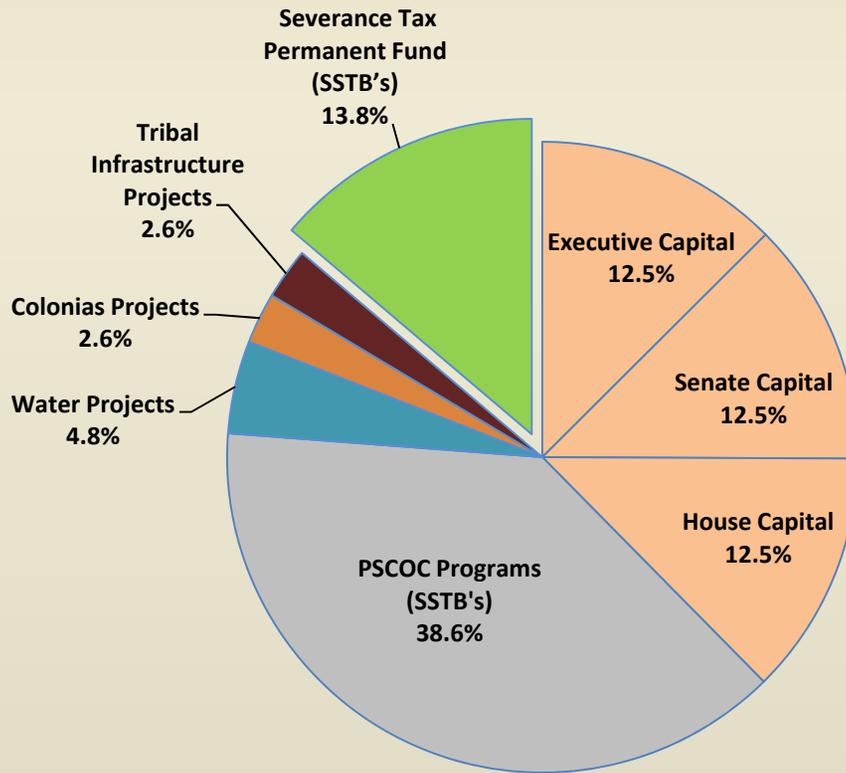
**Pre-HB236 Distributions:
(Senior STB's & Supplemental Bonds)**



HB 236 Fiscal Impacts (cont.)



**Post-HB236 Distributions*:
(Senior & Supplemental Bonds)**



* Fully phased-in in FY22.

HB 236 Fiscal Impacts (cont.)



Fiscal Impact Estimate of HB236/aHWMC/proposed aSF1 201758.1 versus Current Law

Sources of Funds (millions)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	10-Year
Severance Tax Bonds	-	(17.6)	(17.6)	(17.6)	(17.6)	(17.6)	(17.6)	(17.6)	(17.6)	(17.6)	(158.4)
Severance Tax Notes	-	(40.4)	(4.5)	(5.5)	(8.3)	(10.2)	(7.6)	(5.0)	(2.5)	0.0	(83.9)
Subtotal Senior STBs	-	(58.0)	(22.1)	(23.1)	(25.9)	(27.8)	(25.2)	(22.6)	(20.1)	(17.6)	(242.3)
Supplemental Severance Tax Bonds	-	-	-	-	-	-	-	-	-	-	-
Supplemental Severance Tax Notes	-	31.4	-	-	(8.9)	(19.4)	(25.5)	(28.7)	(30.3)	(29.4)	(110.8)
Subtotal Supplemental STBs	-	31.4	-	-	(8.9)	(19.4)	(25.5)	(28.7)	(30.3)	(29.4)	(110.8)
Total Sources of Funds	\$0.0	(\$26.6)	(\$22.1)	(\$23.1)	(\$34.8)	(\$47.2)	(\$50.7)	(\$51.4)	(\$50.4)	(\$47.0)	(\$353.1)
Uses of Funds (millions)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	10-Year
Authorized but Unissued STB Projects*	-	-	-	-	-	-	-	-	-	-	-
10% Water Projects	-	(5.8)	(2.2)	(2.3)	(2.6)	(2.8)	(2.5)	(2.3)	(2.0)	(1.8)	(24.2)
Colonias Projects - (6.5% FY16, 5.5% FY17+)	-	0.2	(0.2)	(0.2)	(0.3)	(0.4)	(0.3)	(0.2)	(0.2)	(0.1)	(1.7)
Tribal Projects - (6.5% FY16, 5.5% FY17+)	-	0.2	(0.2)	(0.2)	(0.3)	(0.4)	(0.3)	(0.2)	(0.2)	(0.1)	(1.7)
New Senior STB Statewide Capital Projects	-	(52.5)	(19.6)	(20.4)	(22.7)	(24.2)	(22.0)	(19.9)	(17.7)	(15.6)	(214.7)
Education Capital	-	31.4	-	-	(8.9)	(19.4)	(25.5)	(28.7)	(30.3)	(29.4)	(110.8)
Total Uses of Funds	\$0.0	(\$26.6)	(\$22.1)	(\$23.1)	(\$34.8)	(\$47.2)	(\$50.7)	(\$51.4)	(\$50.4)	(\$47.0)	(\$353.1)
Estimated STPF Transfer	-	9.2	6.8	9.7	23.5	37.9	43.4	46.1	47.6	66.7	290.9
STPF Earnings on Contributions - 7.5% Compounding	-	-	0.7	1.3	2.1	4.0	7.1	10.9	15.2	19.9	61.2
General Fund Distributions from STPF	To Be Determined										
Source: Department of Finance and Administration											