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House Bill 236 (2015): Fiscal Impacts on Tribal Infrastructure

**Staff Briefing
Presented to the
Indian Affairs Committee
November 2, 2015**

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HB 236 (2015)



- Bullet 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. The bill phased the reductions over four years (FY16-FY19). Reduced funding would allow increase in contributions into the Severance Tax Permanent Fund (STPF).
 - The House Ways and Means Committee amendment changed the percentage reductions so that reductions were the same across all beneficiaries.

HB 236 (2015) (cont.)



- Timeline continued...
 - The Senate Floor Amendment and 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.

HB 236 (2015) (cont.)

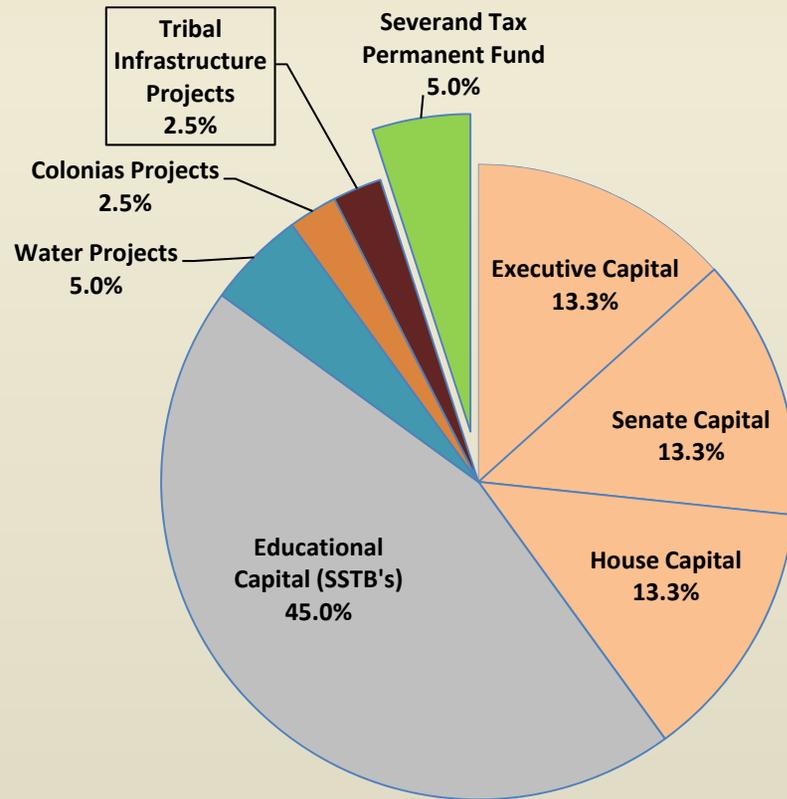


- Beginning in fiscal year 2016, total senior Severance Tax Bonding (STB) capacity is reduced 0.6% in each year 2016 through fiscal year 2019 until the capacity is 47.6% of the available annual deposits in the severance tax bonding fund.
- Portions of STB proceeds are earmarked. Tribal Infrastructure Funding is one of the earmarks. So as total STB capacity is lowered, TIF funding is also lowered.
- To offset this, the earmark of STB proceeds was increased from 5.0% to 6.5% in FY16 and 5.5% in FY 17 and every year thereafter for both tribal infrastructure and colonias infrastructure projects.

HB 236 (2015) (cont.)



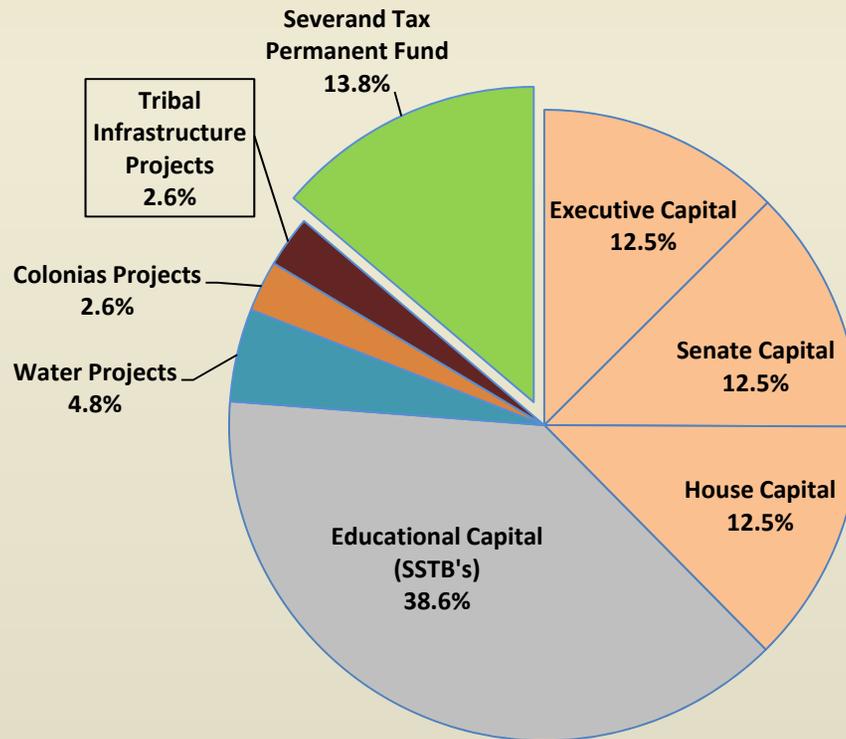
**Pre-HB236 Distributions:
(Senior & Supplemental Bonds)**



HB 236 (2015) (cont.)



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



* Fully phased in FY22.

HB 236 (2015) (cont.)



SUMMARY

- The Senate Floor Amendment and 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.

HB 236 FISCAL IMPACTS



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 | | | | | | | | | | | |