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FISCAL IMPACT REPORT

ORIGINAL DATE 1/30/07

SPONSOR Larranaga LAST UPDATED _____ HB 548

SHORT TITLE Severance Tax Permanent Fund Transfer SB _____

ANALYST Francis

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
200,000.0		Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
\$200,000.0			Nonrecurring	Severance Tax Permanent Fund
		\$1,673.0	Recurring	General Fund
	\$17,000.0	\$18,445.0	Recurring	Severance Tax Permanent Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
State Investment Council (SIC)

SUMMARY

Synopsis of Bill

House Bill 548 makes a nonrecurring general fund appropriation to the severance tax permanent fund (STPF) of \$200 million by the end of fiscal year 2007.

FISCAL IMPLICATIONS

The appropriation of \$200 million contained in this bill is a NON-RECURRING expense to the GENERAL FUND. Assuming a rate of 8.5 percent, the historic average for STPF investments, the \$200 million will earn \$17 million in FY08 and \$18.4 million in FY09. In FY09, the \$200 million will begin to impact the five year average of the fund balance which is used to determine general fund distributions. Each year, 4.7 percent of the five year average balance is distributed to the general fund to provide funds for common schools. That impact is estimated by the State Investment Council (SIC), who manages the STPF, to be \$1.7 million in FY09 and \$3.5 million in FY10.

Table 1: Fiscal Impact of HB548

	General Fund	STPF
FY07	(200,000,000)	200,000,000
FY08		17,000,000
FY09	1,673,000	18,445,000
FY10	3,477,000	19,870,620

Table 2: SIC analysis of STPF distribution to General Fund

	STPF Dist inclusive +\$200M	Current Estimates	Estimated Annual Impact (\$1000s)
FY 2009	\$192,657	\$190,984	\$1,673
FY 2010	\$205,706	\$202,229	\$3,477
FY 2011	\$219,039	\$213,637	\$5,402
FY 2012	\$233,605	\$226,161	\$7,444
FY 2030	\$537,787	\$516,913	\$20,874

SIGNIFICANT ISSUES

SIC reports that since the STPF is a constitutionally protected fund, appropriations cannot be made from the fund without a constitutional amendment.

This appropriation would lower the revenue available for capital outlay and other nonrecurring uses in FY07 by \$200 million.

NF/csd