

FISCAL NOTE

| | FY 2021 | FY 2022 | FY 2023 |
|--|----------------|----------------|-----------------|
| NON-ADMINISTRATIVE IMPACT | | | |
| Anticipated Revenue increase/(decrease) | | | |
| PERM. MINERAL TRUST FUND (PWMTF) | (\$93,400,000) | (\$97,200,000) | (\$100,200,000) |
| BUDGET RESERVE ACCOUNT (BRA) | \$31,100,000 | \$32,400,000 | \$33,400,000 |
| SCHOOL FOUNDATION FUND (SFP) | \$31,100,000 | \$32,400,000 | \$33,400,000 |
| LEGISLATIVE STAB. RES. ACCT. (LSRA) | \$31,100,000 | \$32,400,000 | \$33,400,000 |

Sources of revenue increase(decrease):

This bill discontinues the distribution of the statutory 1% severance tax to the PWMTF, and distributes one-third of this revenue to the LSRA, one-third to the SFP and one-third to the BRA.

This bill modifies the PWMTF spending policy distribution. The PWMTF spending policy currently distributes investment earnings in excess of 2.5% of the 5 year average market value to the LSRA and the Strategic investments and Projects Account (SIPA) in equal amounts. PWMTF earnings in excess of the 2.5% would now be distributed 27.5% to the LSRA, 22.5% to the SFP and 50% to the SIPA. No PWMTF earnings in excess of the 2.5% are projected in the Jan. 2020 CREG Report.

This bill would transfer the unexpended, unobligated balance of the LSRA in excess of \$1.75 billion to the PWMTF beginning FY 2021. Based on the estimated available balance in the LSRA reflected in the January 10, 2020 LSO fiscal profile, no transfers are anticipated through June 30, 2022.

This bill increases the state sales & use tax rate from 4.0% to 5.0%, effective the month immediately following the certification date to the Secretary of State that the unobligated, unencumbered balance in the LSRA is less than \$500 million. Based on the estimated available balance in the LSRA reflected in the January 10, 2020 LSO fiscal profile, no sales & use tax rate increase would go into effect through June 30, 2022. The additional 1.0% sales & use tax would be distributed in each fiscal year as follows:

- 31% of the sales & use tax increase would be transferred to a separate account and distributed by the Office of State Lands and Investments under the same local government distribution formula used for the direct distributions to cities and towns and to counties in the 2019-20 biennium. These distributions would begin the year after the effective date of the sales and use tax rate increase.
- 69% of the sales and use tax increase would be credited to the SFP.

Assumptions:

The severance tax distribution change presented in the table above is estimated based on the PWMTF severance tax forecast in the Jan. 2020 CREG Report. Distribution changes in FY 2021 do not net to zero due to rounding.

The 1.0% sales & use tax rate increase would generate \$205.8 million in FY 2023, based on the sales & use tax forecast in Table 1 of the Jan. 2020 CREG Report.