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F I S C A L I M P A C T R E P O R T

SPONSOR:	Aragon	DATE TYPED:	02/11/00	HB	
SHORT TITLE:	Supplemental Severance Tax Bonds			SB	297/aSFl#1
				ANALYST:	Williams

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring	Fund
FY00	**FY01**	**FY00**	**FY01**	**or Non-Rec**	**Affected**
		$ 18,100.0	$ 23,000.0	Recurring	STB

(Parenthesis ( ) Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent	Recurring	Fund
FY00	**FY01**	**Years Impact**	**or Non-Rec**	**Affected**
		$ (141.0)	Recurring (grows over time)	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicates/Conflicts with/Companion to/Relates to

SOURCES OF INFORMATION

LFC Files

State Department of Education (SDE)

State Board of Finance (SBF)

SUMMARY

Synopsis of SFl#1 Amendment

The amendment clarifies the additional supplemental bond capacity is limited to short term, sponge bonds, i.e., those bonds issued and redeemed within the same fiscal year. This amendment was requested by the Board of Finance staff as a matter of clarification and should improve the administration of this bill.

Synopsis of Original Bill

The proposed legislation would authorize the State Board of Finance to issue short-term supplemental severance tax bonds as long as the bonds can be served with not more than 75% of the prior year severance tax bonding fund receipts. The bill would effectively increase bonding capacity which could then be made available to public schools. The bill authorizes a total of $75 million in incremental capacity over 5 years. The bill carries an emergency clause. This bill is not effective unless legislation is passed which makes all public schools eligible to apply for public school capital outlay funds.

FISCAL IMPLICATIONS

By allowing a lower coverage ratio for short-term severance tax bonds, additional bonding capacity could be authorized. This supplemental capacity could be highly volatile, depending on the strength of crude oil and natural gas-related revenues to the Severance Tax Bonding Fund. Additional capacity could be in the range of $15 to $20 million per year. Based on average Severance Tax Bonding Fund revenues of $150 million, an additional 1/8 of capacity results in approximately $18 million of additional capacity per year. The total additional capacity authorization of $75 million would be used up in slightly more than four years at the $18 million per year level. An updated analysis by LFC suggests impact of $18 million in FY00 and $23 million in FY01 in incremental bonding capacity.

The bill would also reduce transfers to the Severance Tax Permanent Fund. In the long run, this will reduce the distribution to the general fund, but in the short run the effect will be negligible because the distribution is based on average market value of the fund for the previous 5 years. Beginning in FY02, the reduction in general fund distribution is estimated to be only $141 thousand.

OTHER SUBSTANTIVE ISSUES

To avoid a more complicated bill draft, the bill does not earmark incremental capacity from short-term sponge bonds directly for public schools. Experience with supplemental severance tax bond program in its first year shows the State Board of Finance adhered to legislative intent by issuing bonds allocated to public schools and higher education in proportion to the total authorized in the authorizing legislation.

AW/jsp:gm