LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 420** HLS 08RS 550
Bill Text Version: **REENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 21, 2008 9:42 AM
Author: GALLOT
Dept./Agy.: Revenue / Treasury
Subject: Increase Parish Severance Tax Allocation
Analyst: Greg Albrecht

TAX/SEVERANCE TAX RE -$47,000,000 GF RV See Note
(Constitution Amendment) Increases the general severance tax allocation to parishes

Current law allocates 20% of severance taxes on natural resources other than sulphur, lignite, or timber (primarily oil & natural gas) to the parishes in which production occurs, up to a maximum of $850,000 per year. This maximum is to be increased each July first, beginning in 2008, by an amount equal to the average annual increase in the Consumer Price Index for all urban consumers (as published by the U.S. Department of Labor) for the previous calendar year.
Proposed law increases the maximum allocation to $2,850,000, effective July 1, 2009. To be submitted at the statewide election on November 4, 2008.

NOTE: The bill appears to be adding new language regarding annual adjustment of the maximum allocation on the basis of the CPI. However, the bill is only underlining existing language and is not actually adding or changing existing language with regard to the CPI adjustment.

EXPENDITURES	2008-09	2009-10	2010-11	2011-12	2012-13	5 -YEAR TOTAL
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	2008-09	2009-10	2010-11	2011-12	2012-13	5 -YEAR TOTAL
State Gen. Fd.	$0	($47,000,000)	($47,000,000)	($47,000,000)	($47,000,000)	**($188,000,000)**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$47,000,000	$47,000,000	$47,000,000	$47,000,000	**$188,000,000**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The estimated additional dedication away from the state general fund and to the parish severance tax allocation displayed in the table above is the result of a simulation of the allocation made during FY07 under the maximum per parish projected to prevail in FY10, when this bill will first be effective, and the proposed maximum of $2,850,000 per parish. Beginning July 1, 2008 (for the FY09 allocations), the stated maximum of $850,000 per parish will be increased by the percentage change in the CPI during 2007 (2.86%). An additional 3.03% increase in the maximum for the FY10 allocations is currently projected. Thus, the effective maximum each parish can receive in FY10 under current law is an estimated $901,000. This bill will increase that maximum to $2,850,000 for FY10. Under the current projected maximum the parishes will receive an allocation of $33.540 million in FY10. Under the proposed maximum of $2,850,000 the parishes received an allocation of $80.6 million, resulting in an aggregate increase in the allocation of $47 million. This increased allocation would accrue to 30 of the 64 parishes. The other parishes do not have sufficient production to receive additional monies under a greater maximum allocation.

Current law requires each subsequent year's maximum allocation be increased on the basis of the increase in the Consumer Price Index (CPI) for the previous calendar year. For illustration purposes, a current forecast of the CPI over the 2009 - 2011 period indicates expected annual growth in the index of 1.8% - 2.0% over that 3-year period. This would result in new maximum allocations each year that increase the aggregate dedication amount each year by approximately $1 million per year. Roughly one-half of these dedication increases would be attributable to the current law CPI-adjustment provisions and one-half attributable to the step-up in the per-parish maximum provided by this bill.

Actual changes in the allocation will depend on the key factors of production in each parish, the prices of oil & natural gas, and CPI-inflation each year.

Senate	Dual Referral Rules	House
[x] 13.5.1 >= $500,000 Annual Fiscal Cost		[ ] 6.8(F) >= $500,000 Annual Fiscal Cost
[ ] 13.5.2 >= $500,000 Annual Tax or Fee Change		[ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease

H. Gordon Monk

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Legislative Fiscal Officer