



LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **HB 765** HLS 09RS 222
 Bill Text Version: **RE-REENGROSSED**
 Opp. Chamb. Action: **w/ SEN COMM AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: June 21, 2009 1:06 PM	Author: GALLOT
Dept./Agy.: Treasury / Natural Resources	Analyst: Greg Albrecht
Subject: Increase Parish Severance Tax Allocation	

TAX/SEVERANCE TAX RR1 SEE FISC NOTE GF RV See Note Page 1 of 1
 (Constitutional Amendment) Decreases the general severance tax allocation to the state

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, 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 (\$874,310 for FY09). Proposed law increases the maximum allocation to \$2,850,000 for any fiscal year in which the last official forecast of oil & gas severance taxes for that year exceeds actual collections in FY09. In addition, proposed law requires at least 50% of these excess severance tax allocations be used in the same way as money received from the Parish Transportation Fund. Proposed law also allocates 50% (up to \$10 million per year) of the severance taxes and royalty receipts from state lands in the Atchafalaya Basin to the Atchafalaya Basin Conservation Fund, when forecasted collections exceed FY09 actual collections. The bill also provides for the disposition of these monies. Election Nov. 2, 2010.

EXPENDITURES	2009-10	2010-11	2011-12	2012-13	2013-14	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	SEE BELOW	SEE BELOW	SEE BELOW	\$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	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	SEE BELOW	SEE BELOW	SEE BELOW	\$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

EXPENDITURE EXPLANATION

The bill provides that at least 50% of the increase in the general severance tax allocation provided be used in the parish transportation program. This amounts to approximately \$25 million of the increase in FY12 and subsequent years, should increased allocations occur. In addition, the bill specifies the disposition of the allocation to the Atchafalaya Basin Conservation Fund, including up to 5% per year for operational costs of the Basin program in the Department of Natural Resources. This would amount to up to \$500,000 per year, should this new allocation occur.

REVENUE EXPLANATION

The bill provides that the last official forecast, before each fiscal year begins, of severance taxes and royalty receipts be compared to their actual collections for FY09. If the forecasted amounts exceed the FY09 actual collections then the general severance tax allocation to the parishes is increased to a maximum of \$2.850 million for that fiscal year, and the Atchafalaya Basin additional allocation is also allowed. If the forecasted amounts are less than the FY09 actuals, the existing general severance tax allocation maximum is retained for that fiscal year, and the Atchafalaya Basin additional allocation is not allowed. The bill also provides that the increased allocations contemplated by the bill shall not occur before FY2011-2012.

While a determination will be made for each fiscal year as to what the maximum allocation of the general parish severance tax will be and whether the additional allocation to Atchafalaya Basin parishes will occur, the current official forecasts suggest that no additional allocations as contemplated by the bill will occur within the fiscal note horizon. The relevant FY09 severance tax base is \$834 million, and the relevant FY09 severance tax plus royalty receipts base is \$1.434 billion. In the current official forecast, no severance tax forecasts or severance tax plus royalty receipts forecasts exceed the FY09 forecasted base collections. Thus, should these forecasts actually occur, no additional allocations will be made to parishes under either the general parish severance tax allocation or the new Atchafalaya Basin severance and royalty allocation within the fiscal note horizon.

However, the actual FY09 collections base has not been established yet and forecasts of mineral revenue can vary substantially over time. If, by the time the FY12 and subsequent fiscal years' budgets are being finalized, the mineral revenue forecasts for these years exceed the FY09 actual collections bases, then the additional general severance tax allocation to parishes may be some \$50 million per year, and the additional severance and royalty allocation to the Atchafalaya Basin parishes may be up to \$10 million per year. Total additional allocations to parishes of state mineral revenue may be \$60 million per year, with the same amount of revenue loss to the state general fund.

Senate	<u>Dual Referral Rules</u>	House	
<input checked="" type="checkbox"/> 13.5.1 >= \$500,000 Annual Fiscal Cost		<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost	<i>H. Gordon Monk</i> H. Gordon Monk Legislative Fiscal Officer
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease	