

Regular Session, 2014

SENATE BILL NO. 236

BY SENATORS GALLOT, BROOME, KOSTELKA, MORRELL AND GARY SMITH

TAX/TAXATION. Constitutional amendment to remove the "trigger", and instead start on July 1, 2015, the new maximum allocation of certain severance taxes to parishes in which severance occurs and the distribution to the Atchafalaya Basin Conservation Fund of a certain amount of revenues received from severance taxes and royalties on state lands in the Atchafalaya Basin. (2/3 - CA13s1(A)) (7/1/15)

1 A JOINT RESOLUTION

2 Proposing to amend the introductory paragraph of Article VII, Section 4(D)(4), Section
3 4(D)(4)(a), and the introductory paragraph of Section 4(D)(4)(b) of the Constitution
4 of Louisiana, relative to severance tax allocation and distribution; to provide for a
5 decrease in the amount of severance tax on certain natural resources which is
6 retained by the state; to provide with respect to the use and allocation of certain
7 severance tax revenues; to provide for amounts to be remitted to parish governing
8 authorities; to provide for a certain amount of revenues received from severance
9 taxes and royalties on state lands in the Atchafalaya Basin to be deposited in the
10 Atchafalaya Basin Conservation Fund; and to specify an election for submission of
11 the proposition to electors and provide a ballot proposition.

12 Section 1. Be it resolved by the Legislature of Louisiana, two-thirds of the members
13 elected to each house concurring, that there shall be submitted to the electors of the state, for
14 their approval or rejection in the manner provided by law, a proposal to amend the
15 introductory paragraph of Article VII, Section 4(D)(4), Section 4(D)(4)(a), and the
16 introductory paragraph of Section 4(D)(4)(b) of the Constitution of Louisiana, to read as
17 follows:

1 §4. Income Tax; Severance Tax; Political Subdivisions

2 * * *

3 (D) * * *

4 (4) Effective ~~April 1, 2012~~ **July 1, 2015**, the provisions of this Subparagraph
5 shall be implemented if and when the last official forecast of revenues adopted for
6 a fiscal year before the start of that fiscal year contains an estimate of severance tax
7 revenues derived from natural resources other than sulphur, lignite, or timber in an
8 amount which exceeds the actual severance tax revenues from such natural resources
9 collected in Fiscal Year 2008-2009. Upon the adoption of such official forecast, the
10 Revenue Estimating Conference shall certify that the requirements for the
11 implementation of the provisions contained in this Subparagraph have been met. In
12 such event, the following distributions and allocations of severance tax revenues and
13 other revenues provided in this Subparagraph shall be effective and implemented for
14 the fiscal year for which the official forecast was adopted, and each year thereafter.
15 The legislature shall provide by law for the administrative procedures necessary to
16 change the severance tax allocation to parishes from a calendar year basis to a fiscal
17 year basis.

18 (a) Remittance to parishes.

19 (i) ~~In the first fiscal year of implementation of this Subparagraph~~ **For Fiscal**
20 **Year 2015-2016**, the maximum amount of severance tax on all natural resources
21 other than sulphur, lignite, or timber which is remitted to the parish in which
22 severance or production occurs shall not exceed one million eight hundred fifty
23 thousand dollars. For all subsequent fiscal years, the maximum amount remitted to
24 a parish shall not exceed two million eight hundred fifty thousand dollars.

25 (ii) On July first of each year **beginning July 1, 2017**, the maximum amount
26 remitted to the parish in which severance or production occurs, as provided in Item
27 (i) of this Subsubparagraph, shall be increased by an amount equal to the average
28 annual increase in the Consumer Price Index for all urban consumers for the previous
29 calendar year, as published by the United States Department of Labor, which amount

1 shall be as calculated and adopted by the Revenue Estimating Conference.

2 (iii) Of the total amount of severance tax revenues remitted in a fiscal year
3 to a parish governing authority pursuant to the provisions of this Subparagraph, any
4 portion which is in excess of the amount of such tax revenues remitted to that parish
5 in ~~Fiscal Year 2011-2012~~ **Fiscal Year 2014-2015** shall be known as "excess
6 severance tax". At least fifty percent of the excess severance tax received by a parish
7 governing authority in a fiscal year shall be expended within the parish in the same
8 manner and for the same purposes as monies received by the parish from the Parish
9 Transportation Fund.

10 (b) Deposit into the Atchafalaya Basin Conservation Fund **to begin in Fiscal**
11 **Year 2015-2016.**

12 * * *

13 Section 2. Be it further resolved that this proposed amendment shall be submitted
14 to the electors of the state of Louisiana at the statewide election to be held on November 4,
15 2014.

16 Section 3. Be it further resolved that on the official ballot to be used at said election
17 there shall be printed a proposition, upon which the electors of the state shall be permitted
18 to vote YES or NO, to amend the Constitution of Louisiana, which proposition shall read as
19 follows:

20 Do you support an amendment to authorize the following for Fiscal Year
21 2015-2016 and thereafter:

22 (1) A decrease in the amount of taxes retained by the state on the
23 severance of natural resources, other than sulphur, lignite, and timber, and to
24 increase the maximum amount of such revenues which are remitted to the
25 parish governing authority in which severance occurs from eight hundred
26 fifty thousand dollars a fiscal year (increased each fiscal year for inflation)
27 to one million eight hundred fifty thousand dollars for Fiscal Year 2015-
28 2016, then two million eight hundred fifty thousand dollars for Fiscal Year
29 2016-2017 and each fiscal year thereafter (such maximum increased each

1 fiscal year for inflation); fifty percent of the excess severance taxes received
 2 by the parish to be expended within the parish in the same manner and for the
 3 same purposes as monies received by the parish from the Parish
 4 Transportation Fund?

5 (2) A distribution of an amount equal to fifty percent of the revenues
 6 received from severance taxes and royalties on state lands in the Atchafalaya
 7 Basin, not to exceed ten million dollars each fiscal year to be deposited into
 8 the Atchafalaya Basin Conservation Fund; subject to the approval of the
 9 appropriate subject matter committees of the legislature, the money to be
 10 expended exclusively for projects contained in the state or federal Basin
 11 master plans or an annual Basin plan developed and approved by the
 12 advisory or approval board created by law specifically for that purpose, or to
 13 provide match for the Atchafalaya Basin Floodway System, Louisiana
 14 Project, and in addition, eighty-five percent of the money appropriated in any
 15 fiscal year to be used for water management, water quality, or access
 16 projects, and the remaining fifteen percent to complete ongoing projects and
 17 for projects that are in accordance with the mission statement of the state
 18 master plan; provided that no more than five percent in any fiscal year may
 19 be used for the operational costs of the program or the department?

20 (Amends Article VII, Section 4(D)(4) (intro para), Section 4(D)(4)(a), and
 21 Section 4(D)(4)(b) (intro para))

The original instrument and the following digest, which constitutes no part
 of the legislative instrument, were prepared by Riley Boudreaux.

DIGEST

Gallot (SB 236)

Present constitution, since July 1, 2007, requires 1/5th of the severance tax on all natural resources other than sulphur, lignite, or timber ("oil and gas severance tax") to be remitted to the governing authority of the parish in which severance or production occurs, not to exceed \$850,000, increased each July 1st thereafter by an amount equal to the average annual increase in the CPI for all urban consumers for the previous calendar year, as calculated and adopted by the Revenue Estimating Conference. The cap for FY 12-13 was \$951,475. The cap for FY13-14 is \$971,266.

Present constitution provides for an increase of such maximum to \$1,850,000 in the first

fiscal year after the contingency described below occurs (the "trigger"), and to \$2,850,000 for each fiscal year thereafter. The maximum is also to be increased each fiscal year thereafter by an amount equal to the average annual increase in the CPI for all urban consumers for the previous calendar year, as calculated and adopted by the Revenue Estimating Conference. Requires at least 50% of the "excess severance tax" received by a parish governing authority in a fiscal year to be expended within the parish in the same manner and for the same purposes as monies received by the parish from the Parish Transportation Fund. "Excess severance tax" is defined as any portion of severance tax received by a parish which is in excess of the amount of such tax revenues remitted to that parish in FY2011-2012.

Present constitution also contains a provision requiring an amount equal to 50% of the revenues received from severance taxes and royalties on state lands in the Atchafalaya Basin, but not to exceed \$10 million each fiscal year to be deposited into the Atchafalaya Basin Conservation Fund. Subject to the approval of the appropriate subject matter committees of the legislature, the money is to be expended exclusively for projects contained in the state or federal Basin master plans or an annual Basin plan developed and approved by the advisory or approval board created by law specifically for that purpose, or to provide match for the Atchafalaya Basin Floodway System, Louisiana Project. In addition, 85% of the money appropriated in any fiscal year, must be used for water management, water quality, or access projects, and the remaining 15% to complete ongoing projects and for projects that are in accordance with the mission statement of the state master plan. However, no more than 5% in any fiscal year may be used for the operational costs of the program or the department.

Present constitution has a trigger on the increases and distributions described above, that is, a provision which provides that the increases and distributions cannot be implemented until a fiscal year in which the last official forecast of revenues adopted for a fiscal year, before the start of that fiscal year, contains an estimate of oil and gas severance tax revenues in an amount which exceeds the actual oil and gas severance tax revenues collected in FY2008-2009.

Proposed constitutional amendment removes the trigger described above for both the increased maximums provided for parishes in which oil and gas severance and production occurs and for the Atchafalaya Basin Conservation Fund distribution, and requires the increases and distributions to begin in FY2015-2016.

Specifies submission of the amendment to the voters at the statewide election to be held on November 4, 2014.

(Amends Const. Art. VII, Sec. 4(D)(4)(intro para), Sec. 4(D)(4)(a), and Sec. 4(D)(4)(b)(intro para))