# LEGISLATIVE FISCAL OFFICE

## Fiscal Note

Louisiana Legislative Fiscal Office
Fiscal Notes

Fiscal Note On: **HB 765** HLS 09RS 222
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

**Date:** May 7, 2009 4:35 PM
**Author:** GALLOT
**Dept./Agy.:** Revenue / Treasury
**Subject:** Increase Parish Severance Tax Allocation
**Analyst:** Greg Albrecht

TAX/SEVERANCE TAX EG -$50,000,000 GF RV See Note 
(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 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. For FY09, this maximum is $874,310.

Proposed law increases the maximum allocation to $1,850,000 effective July 1, 2011, and to $2,850,000 effective July 1, 2012. Proposed law also requires at least 50% of the severance tax allocation received in excess of the amount received in FY11 to be dedicated in the same manner and to the same purposes as the Parish Transportation Fund.
To be submitted at the statewide election on November 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 | $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 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 5 -YEAR TOTAL |
|---|---|---|---|---|---|---|
| State Gen. Fd. | $0 | $0 | ($26,500,000) | ($50,000,000) | ($50,000,000) | **($126,500,000)** |
| Agy. Self-Gen. | $0 | $0 | $0 | $0 | $0 | **$0** |
| Ded./Other | $0 | $0 | $26,500,000 | $50,000,000 | $50,000,000 | **$126,500,000** |
| 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 the difference in a simulation of the projected allocation for FY12 (when this bill will first be effective) under the maximum per parish projected to prevail in FY12 ($924,595 resulting from the existing annual CPI adjustment), and this bill's proposed maximum of $1,850,000 per parish for that year. A similar simulation is done for the FY13 effect when this bill's proposed maximum is $2,850,000 and the projected maximum for FY13 under the existing CPI adjustment ($943,919). These simulations were based on the affected severance tax collections from production in each parish for the 12-months ending in February 2009. While this period reflects a strong energy price rise period, it also reflects a strong price decline period, and the relevant results are differences between simulations anyway, not the absolute levels of severance tax collections. In both simulations, reflecting two step-ups in the parish allocation maximum over two years, the increased allocations would accrue to 31 of the 64 parishes. The other parishes do not have sufficient production to receive additional monies under a greater maximum allocation.

The bill also requires at least 50% of the additional severance tax allocation received by each parish as a result of this bill's increase in the maximum allocation to be dedicated in the same manner and for the same purposes as the parish transportation fund.

Senate — Dual Referral Rules — House

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

H. Gordon Monk

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**Legislative Fiscal Officer**