Louisiana Legislative Fiscal Office Fiscal Notes

LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **HB 765** HLS 09RS 222

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: July 2, 2009 8:50 AM

Author: GALLOT

Dept./Agy.: Treasury / Natural Resources

Subject: Increase Parish Severance Tax Allocation

Analyst: Greg Albrecht

TAX/SEVERANCE TAX EN SEE FISC NOTE 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, 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 $1,850,000 in the first year and to $2,850,000 in subsequent years, when the last official forecast of oil & gas severance taxes for that first year exceeds actual collections in FY09. The first fiscal year that this can occur is FY12. At least 50% of these "excess" severance tax allocations must 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.

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

Assuming approval of this proposed amendment to the Constitution at the November 2, 2010 election, these provisions would become effective April 1, 2012, and could first affect FY12.

The bill provides that the last official forecast (typically in May of the year), before the fiscal year begins, of severance taxes and royalty receipts be compared to their actual collections in 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 $1.850 million for that first fiscal year (possibly as early as FY12), and the Atchafalaya Basin additional allocation is also allowed. In all subsequent years the maximum parish allocation is increased to $2.850 million (the Atchafalaya Basin additional allocation also continues). Annual adjustment of the maximum allocation by the consumer price index is retained and would be applied to the new maximum allocation amount if/when it is implemented.

While a one-time determination will be made 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 (likely at the May 2012 REC meeting), 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 at each forecast point. **If** by the time the provisions of this bill are being calculated (likely May 2012), the mineral revenue forecast for FY12 exceeds the FY09 actual collections base, then the general severance tax allocation to parishes may increase by some $25 million in the first year and by $50 million in all subsequent years, 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 a like amount of state general fund loss.

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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