

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 277** HLS 23RS 359

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 1, 2023	7:27 PM	Author: BAGLEY
Dept./Agy.: Treasury/Revenue		Analyst: Deborah Vivien
Subject: Increases parish severance cap		

TAX/SEVERANCE TAX RE -\$46,900,000 GF RV See Note Page 1 of 2
(Constitutional Amendment) Provides relative to severance tax revenues remitted to parishes in which the associated severance occurs

Current Constitution allocates 1/5 or 20% of severance tax collections other than lignite, sulphur and timber to the governing authority of the parish in which the severance occurs up to a constitutional cap. The current cap is \$850,000 per parish, growing annually by the change in calendar year CPI-U from the previous year as adopted by the REC. Current Constitution contains a trigger increasing the cap to \$1.85 M in the first year state severance collections exceed the levels of FY 09, increasing to \$2.85 M in the second year and beyond. Under the trigger, 50% of the increase over FY 12 parish remittances must be spent on transportation projects for the same purpose as the Parish Transportation Fund. The Atchafalaya Basin Conservation Fund receives 50% of revenue generated for use in the Basin.

Proposed amendment repeals the trigger language and increases the parish cap to \$10 M in FY 25 and beyond. Excess severance tax is redefined to any amount over FY 23 parish remittances. Use may be determined by legislature.

Effective upon voter approval on October 14, 2023.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	\$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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total		\$0	\$0	\$0	\$0	\$0

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	\$0	(\$46,900,000)	(\$46,900,000)	(\$46,900,000)	(\$46,900,000)	(\$187,600,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$46,900,000	\$46,900,000	\$46,900,000	\$46,900,000	\$187,600,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on state governmental expenditures as a result of this measure. Any potential costs will be absorbed in the current budget. Parish spending constraints may be determined by the legislature as in the companion bill HB 280 of 2022 Regular Session.

The Secretary of State may incur minimal ballot processing costs associated with this measure. As a regular practice, the Secretary of State typically budgets for up to 10 constitutional amendments and statewide propositions for the fall statewide elections. To the extent the ballot includes more than 10 constitutional amendments and statewide propositions, the Secretary of State may require additional SGF resources for the October 14, 2023, statewide election. Any expenditure impact would be realized in FY 24.

REVENUE EXPLANATION

As the local cap is increased to \$10 M in FY 25, the bill will reduce state general fund revenue as those parishes currently capped will begin to receive larger allocations. If the current constitutional trigger is effective at the last REC of FY 23, the FY 24 cap will increase to \$1.85 M.

Based on FY 22 final numbers, there were 20 parishes that reached the constitutional cap of \$1,095,236. Assuming that production in each parish grows annually by the same percentage as the REC estimates for severance tax and the 2023 cap of \$1,146,603 grows by Moody's CPI-U forecast, the estimated cap for FY 25 is \$1,147,188. Using this method through FY 28 provides a baseline for current law.

The bill fixes the parish severance cap to \$10 M in FY 25. Under these assumptions, all but two parishes currently reaching the maximum baseline would receive additional funds (listed on page 2). If these severance assumptions materialize and upon voter approval, parishes will receive an estimated \$46.9 M in additional funds annually beginning in FY 25 (designated as Other Revenues in this fiscal note), with an equivalent reduction in state general fund. Actual impacts will depend on the production activity in each parish and the market environment in the future. Of the 20 impacted parishes, 2 are estimated to continue to be constrained by the new cap.

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Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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CONTINUED EXPLANATION from page one:

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The Atchafalaya Basin Conservation Fund is created in current law only if the trigger is met. This bill allows the fund to be created and half of severance generated in the basin is directed to the fund (estimated around \$1 M annually) after allocation to the appropriate parishes under the proposed provisions. This impact was contemplated in the law establishing the trigger but will serve to decrease anticipated SGF by about \$1M per year.

Below is the list of parishes that are estimated to have a higher allocation in FY 25 due to the bill. **Parishes estimated to receive an increased FY 25 allocation but continue to be constrained under the new cap are in bold.**

These estimates contain heroic assumptions concerning future production and prices in the future. Actual activity could alter these estimates substantially.

**DESOTO
PLAQUEMINES**

- CADDO
- RED RIVER
- TERREBONNE
- LAFOURCHE
- BOSSIER
- VERMILION
- ST. MARTIN
- ST. MARY
- LINCOLN
- SABINE
- CAMERON
- BIENVILLE
- BEAUREGARD
- NATCHITOCHE
- CLAIBORNE
- CALCASIEU
- IBERIA
- LASALLE

Senate Dual Referral Rules

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