

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 98** HLS 17RS 707
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.: **REVISED**

Date: May 24, 2017 3:05 PM	Author: BISHOP
Dept./Agy.: REVENUE	Analyst: Benjamin Vincent
Subject: Severance Tax: Oil Field Restoration Fund fee	

FEES/OILFIELD SITE RESTORATION EG +\$1,400,000 SD RV See Note Page 1 of 1
 Repeals the provision that oilfield site restoration fees are proportional to severance tax collected on the production of the well.

Current law imposes a fee on oil, gas, and condensate production in addition to severance tax, to be dedicated to the Oilfield Site Restoration Fund. The fee varies with the price of oil and condensate, and the fee imposed on reduced-rate production wells is in the same proportion of the reduced severance tax rate applied to those wells. For wells where the severance tax rate imposed is zero, including deep, horizontal, and tertiary wells, no fee is imposed.

Proposed law repeals the provision that sets the fee in proportion to the rate of severance tax paid, applying the full fee to full-production wells. The proportional fee will still apply to reduced-rate production wells such as stripper wells and incapable wells.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$1,400,000	\$1,400,000	\$1,300,000	\$1,200,000	\$1,100,000	\$6,400,000
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	\$1,400,000	\$1,400,000	\$1,300,000	\$1,200,000	\$1,100,000	\$6,400,000

EXPENDITURE EXPLANATION

LA Dept of Revenue (LDR) indicates some minor administrative costs will be incurred due to this proposal, due to necessary revisions to the Oilfield Site Restoration Fee Return.

REVENUE EXPLANATION

Proposed law repeals the provision that allows Oil Field Site Restoration fees to be imposed in proportion to the severance tax rate being collected on the production of the well, relative to the full severance tax rate. It does not repeal the provision that allows the proportional fee specifically for reduced-rate wells.

Horizontal, deep, and tertiary wells are currently exempted from severance tax, and are therefore not subject to the fee. Proposed law would impose the fee on these wells.

LDR reports that for FY16, the production volumes of gas and oil yielded by horizontal, deep, & tertiary wells implied \$1.5M in fee revenue foregone by the lack of fee applying to these wells.

The revenue impacts for FY18-FY22 assume that crude oil prices stay below \$60 per barrel and that the growth rate of production in these wells follows for statewide aggregate oil and gas production forecast as projected by the LA Dept. of Natural Resources.

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}

Gregory V. Albrecht
Gregory V. Albrecht
Chief Economist