LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office Fiscal Notes

Fiscal Note On: **HB 444** HLS 20RS 140
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 22, 2020 3:25 PM | **Author:** BAGLEY
Dept./Agy.: Local Governments
Subject: Parish Severance Tax Distribution | **Analyst:** Greg Albrecht

TAX/SEVERANCE TAX OR DECREASE GF RV See Note

(Constitutional Amendment) Provides relative to the amount of severance tax collected by the state and remitted to parishes

Present constitution provides for 20% of the severance tax receipts attributable to production of oil and natural gas within each parish to be distributed back to the parishes of production. The maximum amount that can be distributed back to each parish is determined by formula based upon Consumer Price Index inflation as certified by the Revenue Estimating Conference. The maximum for FY20 is $1,062,484. The maximum for FY21 has not yet been established. An enhanced allocation is also provided if severance tax collections exceed their FY09 level, as well as an allocation to the Atchafalaya Basin Conservation Fund. These enhanced allocation provisions have never been triggered.
Proposed constitutional amendment eliminates the maximum allocation amount, and authorizes the legislature to increase the amount to be remitted back to parishes. The enhanced allocation and Atchafalaya Basin Conservation Fund provisions are also repealed.
To be submitted to the electors at the statewide election to be held on November 3, 2020.

EXPENDITURES	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**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	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**5 -YEAR TOTAL**
State Gen. Fd.	($68,000,000)	($71,000,000)	($75,000,000)	($75,000,000)	($75,000,000)	**($364,000,000)**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$68,000,000	$71,000,000	$75,000,000	$75,000,000	$75,000,000	**$364,000,000**
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

Based on the current official REC forecasts of mineral revenue and the current constitutional provisions, total parish severance tax allocations are projected to be some $59 million to $63 million per year over the fiscal note horizon. As a result of the current constitutional provisions providing an annual maximum any parish can receive from oil and natural gas production in the parish, about 75% of the total allocation is attributable to oil and natural gas. Virtually all of the balance is attributable to timber, which is not affected by this bill.

Since the bill eliminates the maximum allocation provisions entirely, it would result in 20% of total oil and natural gas severance tax being remitted back to parishes. Under current official forecasts that amounts to some $113 million to $122 million per year over the fiscal note horizon, or $68 million to $75 million more per year than the current allocation provisions. State general fund resources would be reduced by this amount, and dedications to parishes would increase by a like amount. In addition, the bill only allows the legislature, by law, to increase the allocations to the parishes.

However, specific estimates of state general fund loss and dedicated fund gain provided in the table above are not reliable at this time because the bill's effect coincides with unprecedented volatility in the world oil market as a result of global demand weakness from the Covid-19 virus pandemic, and a global supply glut resulting from a market share competition between Saudi Arabia and Russia. Total state mineral revenue receipts and constitutional parish allocations will be substantially impacted by these events for the foreseeable future, and revenue forecasts have not yet been revised to incorporate this outlook. However, the bill can only result in a significant diversion of millions of dollars of state severance tax receipts away from the state general fund and to parishes from what would otherwise be the case.

Senate	Dual Referral Rules	House	
[x]	13.5.1 >= $100,000 Annual Fiscal Cost {S & H}	[x]	6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
[ ]	13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}	[ ]	6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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