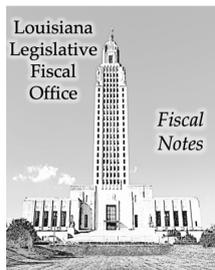


**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



Fiscal Note On: **SB 417** SLS 24RS 1175
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 19, 2024 4:31 PM	Author: PRESSLY
Dept./Agy.: Funds/Funding	Analyst: Benjamin Vincent
Subject: Parish Transportation Fund: Oil & Gas Severance Subfund	

FUNDS/FUNDING OR -\$31,800,000 GF RV See Note Page 1 of 2
 Creates the Oil and Gas Severance Subfund in the Parish Transportation Fund. (7/1/24)

Present constitution allocates up to 20% of total severance tax collections to parishes, subject to an \$850,000 maximum that is annually adjusted for inflation. For FY24, the current maximum severance allocation is approximately \$1.15M.

Proposed law creates the Oil and Gas Severance Subfund within the Parish Transportation Fund, and directs the Treasurer to deposit (and the legislature to appropriate) an amount not less than 5% of state oil severance tax collections on oil and gas production annually to the subfund. Proposed law directs that the funds shall be allocated on a pro-rata basis to parishes that are restricted by the maximum severance tax allocation provided in the constitution. Effective July 1, 2024.

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	SEE BELOW					
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						
REVENUES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	(\$31,800,000)	(\$33,600,000)	(\$33,500,000)	(\$33,000,000)	(\$33,000,000)	(\$164,900,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$31,800,000	\$33,600,000	\$33,500,000	\$33,000,000	\$33,000,000	\$164,900,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	SEE BELOW					
Annual Total						

EXPENDITURE EXPLANATION

Proposed law establishes a subfund which receives new allocations, conditional on existing allocations to an existing fund reaching an existing maximum which is established annually. Managing a new subfund with a dynamic annual allocation, by parish, will place additional workload on Treasury, however Treasury anticipates that the additional burden due to proposed law in isolation can be absorbed.

REVENUE EXPLANATION

Proposed law creates a subfund that would be distributed to certain parishes that are at the maximum amount allowed for parish allocations of severance tax collections. The bill directs an annual appropriation by the legislature to the subfund of an amount not less than 5% of total state collections of oil and gas severance taxes (actual rate presumably determined by the Treasurer), and additionally contains language directing the treasurer to make such deposits to the fund. Treasury reports the interpretation of the bill to require deposits to the fund once any parish reaches its maximum allocation of parish severance tax in a given year.

Any deposits to the fund would be diverted from what would otherwise be general fund collections. Based on current REC projections and recent regional production patterns, LFO estimates that SGF would be reduced by the amounts reflected in the table above, should the rate be set at 5%. These funds would be disbursed to local funds by way of the new subfund.

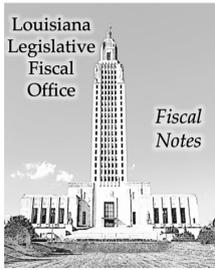
LFO notes that the pro-rata basis specified in the bill for local allocation is ambiguous, and LFO is unable to determine a likely local distribution that would result. LFO assumes that Treasury would determine the specifics of how to apply the allocation's pro-rata distribution, if the bill were to become law in its current posture.

For informational purposes, a list of parishes that may be eligible to receive funds via the subfund is included on page 2, based on FY 23 actuals. The list is not a guarantee of a potential payment and will adjust annually to actual production and price patterns.

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}

Deborah Vivien
Chief Economist



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CONTINUED EXPLANATION from page one:

Revenue Explanation (cont)

For informational purposes, based on FY23 severance allocations, the following parishes may be eligible to receive funds should they be appropriated to the subfund in future years, in a scenario where market price and production conditions were similar to FY23:

- DESOTO
PLAQUEMINES
CADDO
RED RIVER
TERREBONNE
LAFOURCHE
BOSSIER
VERMILION
ST. MARTIN
ST. MARY
LINCOLN
SABINE
CAMERON
BIENVILLE
BEAUREGARD
NATCHITOCHEs
CLAIBORNE
CALCASIEU
IBERIA
LASALLE
JEFFERSON
WEBSTER
ACADIA
ST. CHARLES

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

House
6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
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