LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 236** SLS 14RS 317

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: March 18, 2014 9:55 AM **Author:** GALLOT

Dept./Agy.: Treasury / Natural Resources

Subject: Increase Parish Severance Tax Allocation **Analyst:** Greg Albrecht

TAX/TAXATION OR -$41,200,000 GF RV See Note

Constitutional amendment to remove the "trigger", and instead start on July 1, 2015, the new maximum allocation of certain severance taxes to parishes in which severance occurs and the distribution to the Atchafalaya Basin Conservation Fund

Current law provides for an increase in the maximum amount of parish severance tax allocation to $1,850,000/parish 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. At least 50% of these additional or "excess" severance tax allocations must be used in the same way as money received from the Parish Transportation Fund. Also based on the forecasts exceeding the FY09 level, 50% of the severance taxes and royalty receipts from state lands in the Atchafalaya Basin (up to $10 million per year) are allocated to the Atchafalaya Basin Conservation Fund. The disposition of these monies is also provided for. The severance tax forecasts have not exceeded FY09 levels, and are not anticipated to do so within the current forecast horizon (FY18).
Proposed law removes the forecast trigger for implementing the maximum parish allocation step-ups and the allocation to the Basin Fund. The first step-up would apply for FY16 and the second one FY17. CPI adjustments in current law would continue for FY18 and beyond. Allocations to the Basin Fund would also begin with FY16. November 4, 2014 election.

EXPENDITURES	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	SEE BELOW	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**

REVENUES	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	($23,200,000)	($41,200,000)	($41,700,000)	($42,100,000)	**($148,200,000)**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$23,200,000	$41,200,000	$41,700,000	$42,100,000	**$148,200,000**
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

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 $10.8 million in FY16 and about $20 million per year in subsequent years. 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 about $85,000 under current estimates, and up to $500,000 per year at the Fund's annual maximum.

REVENUE EXPLANATION

Assuming approval of this proposed amendment to the Constitution at the November 4, 2014 election, these provisions would first affect FY16. An estimate of the fiscal effect of the step-ups in the parish maximums compares the baseline of allocation based on the current CPI adjustments over the next few years (Moody's CPI forecast) to the allocation that would occur under the stepped up maximums in this bill. Additional allocations to parishes are $21.5 in FY16, $39.5 million in FY17, $40 million in FY18, and $40.4 million in FY19. In addition, the total amount of severance tax and royalties that will be allocated to the Atchafalaya Basin Conservation Fund, starting in FY16 is approximately $1.7 million per year based on current production activity in the basin area.

These combined additional parish allocations and Basin Fund deposits are shown in the table above as an increase in dedicated revenue. This increase in dedications results in a like amount of reduction to the state general fund.

Note that the Basin Fund dedication is up to $10 million per year. Thus, the general fund exposure is greater than what is likely under current activity levels. Should drilling/production activity increase in the basin area, dedications to the Basin Fund and, consequently, foregone general fund revenues would be greater than estimated here.

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(F)(2) >= $500,000 State Rev. Reduc. {H & S}
		[ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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