

# **Police Jury Association of Louisiana, Inc.**



707 North 7th Street • Baton Rouge, LA 70802-5327  
PH (225) 343-2835 • FAX (225) 343-0050 or (225) 336-1344

**To: Executive Board Members  
Parish/Jury Presidents—Council Chairmen  
Secretary/Treasurers—Council Clerks/Administrators**

**From: Roland J. Dartez, Executive Director**

**Re: Constitutional Amendment No. 4, November 4<sup>th</sup> Ballot**

**\*\*\*\*\*PLEASE COPY AND DISTRIBUTE\*\*\*\*\***

Enclosed, please find information regarding proposed Constitutional Amendment No. 4 (Act 932 by Rep. Rick Gallot). Currently, all 64 parishes receive a certain level of funding from the general severance tax on all natural resources. The Louisiana Constitution requires that 20% of the general severance taxes collected by the state be paid to the parish where the mineral was extracted. However, the constitution limits the amount each parish can receive from this tax at \$875,000 per year plus CPI. This amendment would raise the per parish limit from \$875,000 to \$1.85M next fiscal year and \$2.85M the following year. The increase would then rise by inflation thereafter. The higher cap will permit another \$46 Million to be distributed to the eligible parishes, annually. The measure dedicates half of the increased revenue to the uses allowed under the Parish Transportation Fund. Currently, parishes only get about 3% of severance revenue, not the 20% called for in the Constitution.

The enclosed Public Affairs Research Council of Louisiana (PAR) guide has a full explanation of the proposed Constitutional Amendment beginning on page 6. The State Legislature and the Governor supported our efforts on this bill. The Legislature voted a combined 131 YEAS and 0 NAYS on this measure.

We are conducting our Association Region Meetings and each Region that has met thus far has voted to support the passage of the proposed amendment (see enclosed). Your State Executive Board has also voted to support, and we encourage your parish to pass a similar resolution and include the resolution in a press release and/or letter to your local newspapers.

Your letter should reference the “100% YEA” votes in the legislature, the Governors support for this measure, dedication to local roads and bridges, the proposed amendment does not change or increase the current tax rate, and that it would be an overall benefit to the community.

Keep in mind that there are rules regarding the use of public funds relative to elections. Public funds cannot be used to urge the passage or defeat of a proposition. However, public funds may be expended to provide objective, factual, educational information about a proposition. For example, while public funds could not be used to urge the passage of Amendment No. 4, public funds could be used to inform the public as to the fiscal impact on a Parish should Amendment No. 4 be adopted.

**Sam Fulton**  
President  
Vernon Parish

**OFFICERS**

**Roland J. Dartez**  
Executive Director

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## **New PAC formed to promote Gen. Severance Tax Amendment #4**

Invest Our Resources Committee is a new political action committee (IOR PAC) currently accepting donations to assist in the promotion for the adoption of Proposed Constitutional Amendment #4. All checks should be made payable to the Invest Our Resources PAC. Vicky Bowers with Oats & Hudson Law Firm will serve as treasurer and the chairman is Randy Lanctot with the Louisiana Wildlife Federation. The address to mail the checks is 100 East Vermilion Street, Suite 400, Lafayette, Louisiana 70501, *Attention Vicky Bowers*.

Please note that local government funds CANNOT be contributed to this cause however, road contractors and affiliated companies are eligible to give to the PAC. Currently, the Louisiana Midcontinent Oil and Gas Association, Association of General Contractors, Driving LA Forward, and the LA Pharmacy Association are among some of the supporters.

Thank you for your help in this matter, and should you have any questions, do not hesitate to contact me.

**Sam Fulton**  
President  
Vernon Parish

**OFFICERS**

**Roland J. Dartez**  
Executive Director

**RESOLUTION IN SUPPORT  
OF AMENDMENT NO. 4**

**WHEREAS**, Louisiana Constitution Art. VI § 4 provides that 20% of the total State severance tax on minerals is to be distributed to the parish where the mineral production occurred; and

**WHEREAS**, however, the Louisiana Constitution currently places a cap on that distribution in the amount of \$850,000 annually, which cap is to increase at the rate of inflation each year; and

**WHEREAS**, the imposition of that cap has resulted in the distribution to the parishes of barely 3% of severance tax revenues, far below the 20% originally envisioned by the Louisiana Constitution; and

**WHEREAS**, the Louisiana Legislature, in the 2008 Regular Session, adopted HB 420 which proposes to amend the Louisiana Constitution to increase the cap to \$1,850,000 for fiscal year 2009/2010 and then \$2,850,000 for fiscal year 2010/2011, then to increase the cap by the rate of inflation each year thereafter; and

**WHEREAS**, this increase will bring tens of millions of dollars to parish governments to be used for infrastructure and other purposes; and

**WHEREAS**, the proposal is set as Amendment #4 on the November 4, 2008 statewide election ballot.

**NOW, THEREFORE BE IT RESOLVED** that the Parish of \_\_\_\_\_ does hereby endorse and support the passage of Amendment #4 on the November 4, 2008 statewide election ballot.

This resolution having been submitted to a vote, the vote thereon was as follows:

**YEAS:** \_\_\_\_\_ **NAYS:** \_\_\_\_\_ **ABSENT:** \_\_\_\_\_

and the resolution was declared adopted this \_\_\_\_ day of \_\_\_\_\_, 2008.

# Constitutional Amendment #4

## November 4, 2008

### PART I

- Currently, each parish governing authority receives one-fifth of the severance tax on all natural resources other than sulphur, lignite, or timber severed or produced in the parish subject to a cap of \$850,000. The State receives the other four-fifths plus the balance above the local CAP
- Approximately 30 of the 64 parishes currently receive the maximum amount of \$850,000, based on severance information available from the fiscal year ending June 30, 2007.
- House Bill 420 by Representative Gallot (Act 932) in the 2008 Regular Session increases the current cap on the local one-fifth and does not decrease the state portion
- Beginning July 1, 2009 the cap would be raised to \$1,850,000, and increases again on July 1, 2010 to \$2,850,000 with a CPI index increase per year. State to receive their four-fifths portion and the local CAP balance which equates to the state receiving approximately 92% of total funds
- Requires at least 50% of the increase in revenue received above the current CAP be used in the same manner and for the same purpose for projects in the Parish Transportation Fund

### PART II

- Requires that 50% of severance taxes on state owned lands in the Atchafalaya Basin each fiscal year be deposited into the Atchafalaya Basin Conservation Fund.
  - The amount deposited into the fund can not exceed \$10 Million in any one fiscal year
  - The money can only be used to fund projects contained in the state or federal basin master plans or an annual Basin plan developed by an Atchafalaya Basin Research and Promotion Board.
  - 85% of these monies be used for water management, water quality, or access projects such as boat launches in the Atchafalaya Basin
  - The remaining 15% can be used for other projects that are in accordance with the mission statement of the state master plan.
- Improves the Atchafalaya Basin Program operation and creates transparency
  - Projects will only be funded if they have been through an annual plan process approved by the Louisiana Legislature
- Allow Parish Governments and Police Juries contributing to the energy needs of Louisiana and the entire country to receive their fair share of additional revenue in addition to protecting the natural resources of our state

In the past 36 years, it has happened only once that a Louisiana legislator was called to active duty. That was during the Gulf War. As the military increasingly relies on reserve and guard units for active deployment, it is conceivable that this could occur more frequently.

Proponents argue that a district should not suffer lack of active representation in the Legislature when its senator or representative is called to duty. This amendment is proposed as a solution to that rare situation.

**LEGAL CITATION** Act 931(Rep. Lorusso) of the 2008 Regular Session, amending Article III, Section 4(F). Companion legislation is Act 702 (Rep. Lorusso) of the 2008 Regular Session.

## 4

### State Severance Taxes to Parishes

#### You Decide

- A vote *for* would dedicate additional state severance taxes to parishes of origin, restrict the use of a portion of these funds, and dedicate a portion of severance taxes collected on state lands to the Atchafalaya Basin Conservation Fund.
- A vote *against* would maintain the maximum amount of severance tax revenue that has to be paid by the state to parishes at \$850,000, adjusted annually for inflation.

#### CURRENT SITUATION

##### Severance tax revenue

The Constitution requires the state to give parish governments a portion of the severance taxes collected in each parish. It requires that 20 percent of the state severance tax on all natural resources, other than sulfur, lignite or timber, be shared with the parish of origin. But, the amount each parish can receive is capped at \$850,000, adjusted annually for

inflation. The current cap for the 2009 fiscal year is around \$875,000.

Local governments are prohibited from levying a severance tax. The sharing of state severance tax revenue, which goes back to at least the 1921 Constitution, is intended to help compensate parishes for wear and tear on roads and bridges by oil and gas drilling equipment and other related traffic. The present cap has been in place since 2007, when it was increased from \$750,000. In 2007, the state collected \$890 million of these severance taxes and remitted nearly 4% back to the parishes where the tax was generated. Oil and natural gas collections account for almost 98 percent of all severance tax collections.

Parishes would have received \$178 million if the full 20 percent were distributed, but the per-parish cap limited the actual distribution to about \$32 million. All but one of the 64 parishes received some severance tax revenue (one received only \$42), and 29 received the maximum amount of \$850,000.

#### Atchafalaya Basin Program

Programs to protect and restore the Atchafalaya Basin are funded by annual appropriations designated for Atchafalaya Basin master plan projects identified in Act 920 of the 1999 Regular Legislative Session. That law scheduled \$85 million in annual appropriations through FY 2014, but did not establish a permanent funding source or guarantee the appropriations.

#### PROPOSED CHANGE

##### Severance tax revenue

The amendment would increase the amount of severance tax revenue the state is required to share with the parishes in which the severance tax was generated. The maximum amount per parish would be increased from \$850,000 per year (2007 dollars) to \$1.85 million for fiscal year 2009 and \$2.85 million thereafter. Each year after 2010, the cap would be adjusted upward for inflation.

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The amendment also would dedicate 50 percent of the additional severance tax revenue parishes receive after July 1, 2009, to transportation projects eligible to receive funds from the Parish Transportation Fund.

#### **Atchafalaya Basin Program**

The amendment also would create the Atchafalaya Basin Conservation Fund to be appropriated by the Department of Natural Resources. A new dedication of 50 percent of severance tax revenue collected on state lands – up to \$10 million annually – would be directed to the fund, which would be used exclusively for certain Atchafalaya Basin projects.

Further restrictions on how much of the fund could be spent for specific types of projects and administrative costs are outlined in the amendment.

#### **COMMENT**

A 2007 constitutional amendment increased the cap in question from \$750,000 to \$850,000 and added an annual adjustment for inflation to prevent having to present this question to voters once again. The current proposal to raise the cap by \$1 million in a single year essentially skips 26 years of inflationary adjustments (assuming a stable 3 percent growth rate). The additional \$1 million transfer in 2010 would fast forward the cap by another 14 years.

If the cap is raised as proposed, 30 parishes are estimated to receive an additional \$26 million in FY 2010 and \$46 million in FY 2011. The remaining parishes do not generate enough severance tax revenue to benefit from the cap increase.

The severance taxes that would be dedicated to the Atchafalaya Basin Conservation Fund are likely to hit the annual \$10 million cap each year. The overall loss to the general fund if the proposal passes is estimated to be \$37 million the first year and \$56 million annually thereafter.

Natural resource and mineral production take a huge toll on local infrastructure, and the severance tax distributions to parishes help to offset the losses. For this reason, a portion of the additional revenue above 2008 levels would be dedicated to transportation purposes. Parishes are not currently limited in how the severance tax revenue is spent.

Proponents argue that boosting the cap above the rate of inflation is justified by the recent spike in state severance tax revenue. As prices and production rise, parishes should get to share in the windfall, they argue. Severance tax revenue is likely to rise further in coming years as production increases in Northwest Louisiana due to the recent Haynesville Shale natural gas strike.

Opponents of the proposal question the need for the state to give up more revenue to benefit parishes that already receive other revenue from the economic activity associated with severance operations, like jobs and sales taxes. If mineral resources are considered assets of the state as a whole, then the dedication prevents the state from using its revenue where most needed.

**LEGAL CITATION** Act 932 (Rep. Gallot) of the 2008 Regular Session, amending Article VII, Section 4(D)(3) and to enact Article VII, Section 4(D)(4) and (5).