

Amendment shares oil revenue

Some parishes would get larger chunk

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By Robert Travis Scott

Among the seven proposed changes to the state constitution on the Nov. 4 ballot in Louisiana is an amendment that would shift oil and gas severance tax revenue from the state to parishes where the industry activity is the greatest.

Two other amendments would impact property taxes and expropriation.

Amendment No. 4 would require the state to share more of its annual severance tax collections with parishes, which are not permitted to levy taxes on mineral extraction.

"In big bold letters: This is not a tax increase," said the author of the amendment bill, Rep. Rick Gallot, D-Ruston. "It means less to Baton Rouge and more to the parishes."

The state last year took in \$890 million in severance taxes, nearly all from oil and natural gas, and passed about 4 percent to parishes, according to the Public Affairs Research Council of Louisiana, which has published an objective report of the seven amendments. The portion for each parish is capped at an inflation adjusted level, which in the current fiscal year is \$875,000.

Gallot said local governments must pay for roads and other infrastructure burdened by the energy extraction industry and that an increase in their share is needed. The amendment would raise the parish cap to \$1.85 million for fiscal year 2009. The following year the cap would rise to \$2.85 million and then would adjust for inflation in subsequent years.

At least half the parish money would have to be used for roads or other transportation projects. The amendment would also create the Atchafalaya Basin Conservation Fund, which would receive up to \$10 million per year from state severance taxes to be used for projects in the basin.

About 30 of the state's 64 parishes would get more revenue each year as a result of the increased cap, according to the Legislative Fiscal Office. Jefferson and Plaquemines parishes would be among those likely to get a financial boost.

The amendment would result in more constricted state tax revenue just as Louisiana likely is moving into a slow economic period. The fiscal office estimates that the change would shift \$205 million from the state general fund during the next five years.

The state, through the Legislature and the governor -- guided by an infrastructure plan, already makes allocations for local road projects.

The Bureau of Governmental Research supports Amendment No. 4 because of the pressure energy production places on local infrastructure and environment. The House and Senate both approved the bill unanimously.

The Council for a Better Louisiana, a Baton Rouge group that analyzes public policy issues, endorsed the proposal.

CABL President Barry Erwin said that although an argument can be made that the state should not be cutting revenue when it faces a financially uncertain future, the organization backs the amendment because an area that sustains possible negative effects from oil and gas production "should have a reasonable share in the proceeds."

Amendment No. 5 addresses tax assessments for special cases in which properties are expropriated by the government.

Under current law, homeowners who are 65 or older, those who are permanently disabled and certain members of the military get a special property tax break. Once they become eligible, their property value assessment is frozen. The benefit is available to households with adjusted gross income of about \$64,000 or less.

The assessment assures that fixed-income homeowners will not face large increases in their property tax bills due to new assessments, although increased millage rates would still have an impact on those bills.

Under this amendment, an eligible homeowner would be able to transfer the benefit to a replacement home if the government expropriated the original house.

The transfer would be available to the homeowners whether they gave up the property voluntarily or were forced to sell. The Bureau of Governmental Research opposes the measure because it "expands a tax benefit at the expense of local governments."

Erwin said CABL normally opposes new exceptions to property taxes. However, he said the organization backs the proposal because the scope of the amendment "appears to be extremely limited" and any impact on local government will probably be small. The House and Senate both gave unanimous approval to the bill.

Amendment No. 6 seeks to clarify and pare back some of the provisions voters approved in a 2006 constitutional amendment giving homeowners broader rights to protect their properties from expropriation.

The 2006 amendment placed restrictions on how expropriated property can be transferred back to the original owner if the government decides that the property is no longer needed for a public purpose. Basically, if an expropriated property held for fewer than 30 years is to be sold, the government must offer it to the original owner or heirs at fair market value.

In the wake of Hurricane Katrina, the city of New Orleans and the New Orleans Redevelopment Authority have seen the 2006 change as detrimental to efforts to return blighted or abandoned properties to commerce. The city wants to work with developers to acquire blighted properties for renovation or to build new communities. Developers were resisting projects because of the potential difficulties posed by the new law.

Sen. Ed Murray, D-New Orleans, said he offered the amendment on behalf of the city. It would remove the requirement in these resale situations that the government first offer expropriated property to the prior property owner. The amendment would only apply to properties expropriated because of blight or abandonment.

Murray's original bill would have made the change only for New Orleans, but his bill quickly gained popularity and was extended to apply to properties statewide. "And everybody loved it," Murray said. It passed the Senate 37-0 and the House 95-3. It is supported by the Bureau of Governmental Research and CABL.

Murray said the 2006 amendment caused confusion and a lawsuit about exactly what steps were necessary to return expropriated property to an original owner. He said his amendment will ensure that blighted and abandoned properties will be put back into commerce.

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