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April 8, 2021

Rep. Jean-Paul Coussan
Chair
House Committee on Natural Resources and Environment
Louisiana House of Representatives

Rep. Coussan:

I am writing in response to your letter dated February 10, 2021, which requested the LSU Center for Energy Studies examine and provide a separate, independent analysis of the scal impact of House Bill 57 of the 2021 Regular Session. Per your request, the estimated scal impacts presented below also include a dynamic scoring analysis of the economic impact as a result of the proposed severance tax exemption.

This analysis includes taxes, licenses, and fees (TLF) collected by state government, but not local governments. Analysis is based on the pre led version of HB57 led on March 4, 2021. Any amendments might impact the estimated scal impacts. Further, scal impacts are based on oil and natural gas price forecasts as adopted by the Revenue Estimating Conference on January 19, 2021. Any change to this forecast will also require revisions to the estimates below.

Baseline Results

See Table 1. Results are summarized as follows:

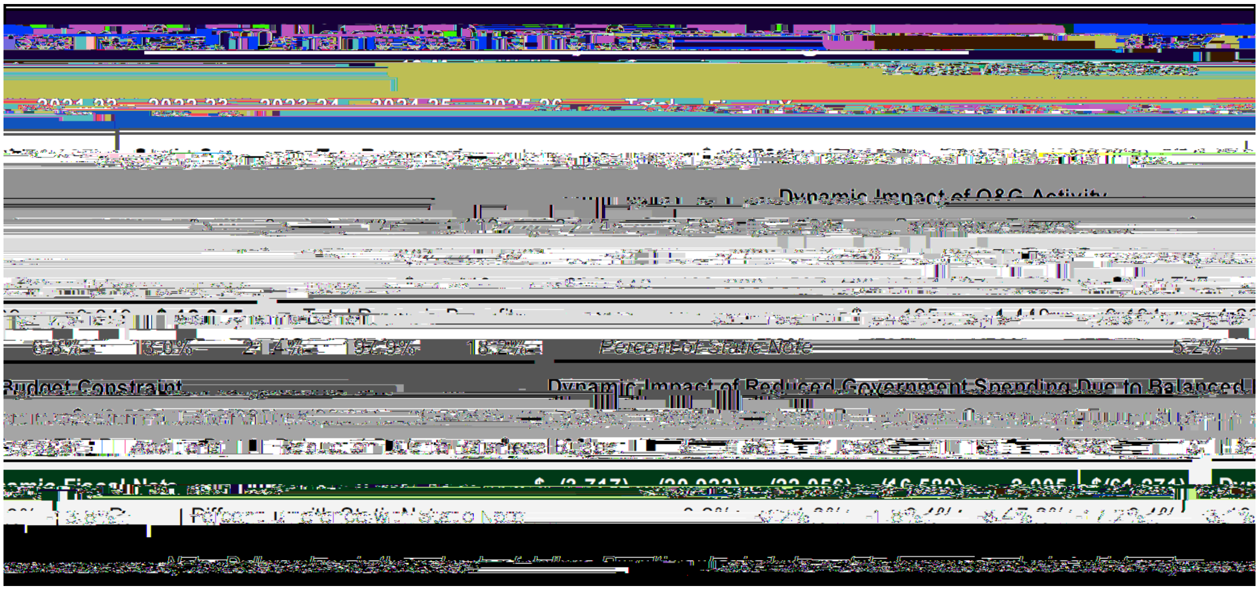
- Over ve years, without taking into account dynamic impacts (i.e. the \static" impact) House Bill 57 is estimated to reduce severance tax revenues by $57.4 million.
- Table 1 next shows the estimated dynamic impact of the bill. These scal impacts are provided in three categories. First, estimated severance tax collections from new wells drilled because of the exemption total $6.7 million over ve years.[1] Next, royalty payments to state government are estimated to increase by an estimated $1.6 million. Third, economic activity stemming from this exemption is estimated to increase taxes,

[1] In other words, these are wells that are drilled because the exemption is available, and that would not have been drilled otherwise.

licenses, and fees (TLF) collected by $4.9 million. Adding up these three items, estimates suggest that the state will experience an addition $13.2 million

33	State Royalties	$ 52	328	468	490	246	$ 1,5[illegible]
28.8%	951.0%	23.0%	Percent of Static Note	4.8%	7.8%	16.7%	
	$ (3,735)	(17,861)	(17,131)	(11,547)	3,667	$(46,607)	Dynamic Fiscal Note
with Static Note	0.3%	2.8%	-12.2%	-25.0%	796.3%	-18.9%	Percent Difference

to be $61.3 million over ve years, or 13.8 percent smaller than the static impact.



For budgeting purposes, I recommend using estimates in Table 1. Although estimates in Table 2 provide perspective on the importance of the time to payout on the size of the scal note. Inclusion of results of this scenario are motivated by a request by the Legislative Fiscal O ce (LFO).

Well Enhancement Results

HB57 includes severance tax exemptions for both newly drilled wells and well enhancements. In response to your verbal request upon further discussions, I have also estimated scal impact if HB57 were amended to include only well enhancements. These results are presented in Table 3.

- The estimated static scal impact is $13 million over ve years.
- Once dynamic e ects are taken into account, the remaining scal impact is estimated to be $10.2 million over ve years, or 21.7 percent smaller than the static impact.

Table 3: Fiscal Note With Dynamic Scoring Included

if the program were to be extended at that time, the percent di erence in the static and dynamic scal note