

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 25** SLS 202ES 65
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.: **REVISED**

Date: October 6, 2020 7:47 AM **Author:** ALLAIN
Dept./Agy.: Treasury **Analyst:** Alan M. Boxberger
Subject: Transfer of funds from Main Street to Oilfield Site

ENVIRONMENTAL CONTROL OR SEE FISC NOTE SD EX See Note Page 1 of 1

Provides for the transfer and use of funds from the Louisiana Main Street Recovery Program to the Oilfield Site Restoration Fund. (gov siq) (Item #19)

Present law establishes the Oilfield Site Restoration Fund used for oilfield site restoration or assessment conducted by the Department of Natural Resources for administration of the oilfield site restoration program and caps the Oilfield Site Restoration Fund at \$14 M, but excludes from that cap site-specific trust accounts, financial security instruments not tied to a specific well or wells, and sums generated from bonds.

Proposed law requires the state treasurer to deposit \$30 M from the Louisiana Main Street Recover Fund into the Oilfield Site Restoration Fund and limits the use of these monies to the purposes of assessing and restoring orphan oilfield sites. Proposed law adds monies deposited from the Louisiana Main Street Recovery Fund to the list of monies not used to calculate the cap of the fund. Proposed law is effective upon signature of the governor or lapse of time for gubernatorial action.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

REVENUES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

Proposed law transfers \$30 M from the Louisiana Main Street Recovery Fund into the Oilfield Site Restoration Fund and stipulates the use of these monies to the purposes of assessing and restoring orphan oilfield sites. Monies in the Louisiana Main Street Recovery Fund currently provide for grants in amounts not to exceed \$15,000 to eligible businesses for costs incurred due to COVID-19. The Main Street Recovery Program is administered by the State Treasurer and funded by an appropriation of \$260 M from the Coronavirus Aid, Relief, & Economic Recovery (CARES) Act (plus an additional \$15 M provided for administrative costs of the LA Department of the Treasury and the LA Legislative Auditor).

NOTE: The Department of Treasury reports that the \$30 M to be transferred to the Oilfield Restoration Site Fund may not be available. The department reports that the Main Street Recovery Program is on track to utilize the full amount appropriated to satisfy all applications that have been submitted to date.

NOTE: Oilfield site restoration activities may not fall within the allowable uses of funds appropriated from the CARES Act. Section 5001(d) of the CARES Act provides the eligible purposes for which Coronavirus Relief Fund payments may be used. Specifically, it allows state and local governments to make payments for programs that (1) were necessary expenditures incurred due to the public health emergency with respect to COVID-19; (2) were not accounted for in the budget most recently approved as of the date of enactment [March 27, 2020] of this section for the State or government; and (3) were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020. LA's allocation from the Coronavirus Relief Fund was \$1.8 B.

The LFO is aware that the state of North Dakota allocated \$66 M of its CARES allocation to the purpose of plugging and restoring abandoned wells. Speaking with representatives of the North Dakota Department of Mineral Resources, the LFO was informed that the state allocated monies to its "Bakken Restart Task Force," which is aimed at long-term recovery of the oil and gas industry. The intent of the CARES allocation is to address increased unemployment in the oil and gas sector by creating jobs to rehabilitate abandoned wells. The representatives were unable to point to any specific provision within the CARES Act or provide confirmation of guidance from the U.S. Treasury that this use of monies is allowable under the CARES Act.

Additionally, the LFO spoke with representatives from the Louisiana Department of Natural Resources. The department is uncertain that it would successfully be able to competitively bid and complete projects to restore oilfield sites between enactment of proposed law and the December 30, 2020, CARES Act deadline to expend funds.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure. Proposed law provides for a transfer of \$30 M from the statutorily dedicated Louisiana Main Street Recovery Fund into the Oilfield Site Restoration Fund.

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}

Christopher A. Keaton
Legislative Fiscal Officer