

**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 23** HLS 243ES 59
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: November 14, 2024 8:25 AM **Author:** GEYMANN
Dept./Agy.: Energy and Natural Resources **Analyst:** Richie Anderson
Subject: Oilfield Site Restoration Fund

MINERALS EG INCREASE SD RV See Note Page 1 of 2
 Provides for the administration of the Oilfield Site Restoration Fund (Item #16)

Present law establishes the Oilfield Site Restoration Fund (Fund) to collect fees from oil and gas production and authorizes the Department of Energy and Natural Resources (DENR) to use the Fund for site restoration programs. Proposed law allows the Natural Resources Trust Authority (NRTA) to pledge revenue under the direction of the secretary of DENR, with oversight provided by the State Mineral and Energy Board. Under the proposed law, NRTA would manage the Fund, security instruments, and site-specific trust accounts, and execute agreements instead of the Oilfield Site Restoration Commission (Commission). Present law authorizes the secretary and assistant secretary to direct Fund disbursements, with the Commission approving allocations up to \$500,000 annually. Proposed law would allow the NRTA to direct disbursements and approve allocations, removing the Commission's authority to approve such disbursements. NRTA would assume authority over the special custodial trust fund within the Fund in which federal funds are designated. Finally, the proposed law increases existing site restoration fees that are imposed on wells that produce oil or natural gas. Proposed law removes the average New York Mercantile Exchange as the benchmark used to determine the price of oil and natural gas. Effective July 1, 2025.

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0					\$0

REVENUES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

To the extent significant revenues are generated from the increase in fees, a subsequent increase in Statutory Dedications expenditures can be expected; however, the LFO cannot anticipate the timing or amount of these expenditures.

REVENUE EXPLANATION

Proposed law will increase Statutory Dedication revenues into the Oilfield Site Restoration Fund due to the increase in the fee assessment per barrel of oil and per thousand cubic foot (MCF) of natural gas.

Proposed law increases the Oilfield Site Restoration (OSR) fees on full-rate production crude oil and condensate as follows, based on the oil price per barrel: below \$60, the fee will increase from 1.5 cents to 2 cents; between \$60 and \$90, the fee will increase from 3 cents to 4 cents; above \$90, the fee will increase from 4.5 cents to 6 cents. Proposed law shifts the existing OSR natural gas fee from a single flat amount to a tiered fee system based on the price of natural gas per MCF: below \$2.50 will remain at 3/10 of one cent; between \$2.50 and \$4.50, the fee will increase to 4/10 of one cent; above \$4.50, the fee will increase to 5/10 of one cent. The changes are summarized below:

Proposed Fee Changes (in cents):


Oil-Price per Barrel	Current Fee	New Fee	% Increase
less than \$60	1.5¢	2¢	33.3%
\$60 to \$90	3¢	4¢	33.3%
greater than \$90	4.5¢	6¢	33.3%

Gas-Price per MCF	Current Fee	New Fee	% Increase
less than or equal to \$2.50	3¢	3¢	0%
\$2.50 to \$4.50	3¢	4¢	33.3%
greater than or equal to \$4.50	3¢	5¢	66.7%

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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}


Patrice Thomas
 Deputy Fiscal Officer



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CONTINUED EXPLANATION from page one:

Continued Revenue Explanation

For illustrative purposes, in FY 24, the Department of Energy and Natural Resources (DENR) collected \$901,326 from oil fees and \$12.7 M from gas fees. Based on the proposed fee increases, the total collections in that FY would have risen to \$1.2 M from oil fees and \$14.8 M from gas fees; an increase of \$2.4 M combined. Assuming that oil and gas production remains at a similar level, DENR can anticipate similar collections in future fiscal years; however, due to uncertainty surrounding oil and gas prices and production, the LFO is unable to estimate the precise amount of these collections in future fiscal years.

Note: Current law requires LDR to stop collecting OSR fees once the balance in the Fund reaches \$14 M and resume once it falls below \$10 M. HB 12 of the 2024 3rd ES repeals this provision in R.S. 30:86(C). Should this legislation be enacted, it would allow the increased collections proposed in this measure to be deposited into the fund.

The proposed law would shift the existing OSR gas fee from a single flat amount to a tiered fee system based on the price per MCF. For illustrative purposes, looking at monthly price data obtained from the U.S Energy Information Administration (EIA) over the past five years (60 months), this change would have resulted in the fee remaining at 3¢ for eight months (average prices below \$2.50); 4¢ for 37 months (average prices between \$2.50-\$4.50); and 5¢ for 15 months (average prices above \$4.50).

Oilfield Site Restoration (OSR) fees are collected by the Louisiana Department of Revenue (LDR). The LFO requested a fiscal note worksheet from LDR on potential impacts of the proposed legislation and will update this fiscal note should the information provided by the department necessitate a change.

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