

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 784** HLS 15RS 858  
 Bill Text Version: **ENROLLED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

**Date:** June 9, 2015 2:33 PM **Author:** DOVE  
**Dept./Agy.:** Natural Resources **Analyst:** Drew Danna  
**Subject:** Enhances and Creates Fees for the Office of Conservation

CONSERVATION/OFFICE EN INCREASE SD RV See Note Page 1 of 2  
 Provides for certain fees collected by the office of conservation

Present law authorizes the Office of Conservation to collect annual fees from operators of capable oil and gas wells based on a tiered system and on injection wells and facilities. Proposed law increases the fee caps on Type A & B Commercial Facilities, Class I, II, & III wells, and storage wells by 150%. The caps on capable oil & gas production will also be increased by 150%.

Proposed law also increases the amount of fees deposited in the Oil and Gas Regulatory fund from \$5 to \$15.

Proposed law also creates an additional 31 fees ranging from \$50 to \$3,000.

Proposed law also establishes a fee for expedited permit processing based on the maximum overtime hourly salary of a Dept. of Environmental Quality (DEQ) employee and the hours required to process the permit.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>						

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

There will likely be an increase in salaries expenditures as a result of the expedited permit process. According to the Department of Natural Resources (DNR) there are 6 companies that have expressed interest in the expedited permit program. These companies focus on salt cavern injection wells which require an average of approximately 1,000 work hours to be approved. This processing time has created a backlog in the permit system which DNR hopes to address with the expedited permit program contained within this bill. The increased expenditures required by the bill will be paid for by the companies applying for the permits. **Continued on Page 2**

**REVENUE EXPLANATION**

The proposed legislation will increase fee caps and raise approximately \$5.5 M annually in new revenue flowing into the Oil & Gas Regulatory Fund from the following categories: Regulatory/Production (\$1.3 M), Class I Injection Wells (\$600,000) and Other Revenue (\$400,000). The proposed bill will also increase the Regulatory fund cap from \$2.45 M to \$3.675 (\$1.2M) and create 31 new fees, which are anticipated to generate approximately \$2 M. Note: The amount of revenue is directly related to the number of applications submitted by operators, any change in this number would directly affect the amount of revenue collected.

In addition, Regulatory/Production fees will increase by 150%, which equates to approximately \$5 M in additional revenues annually. The table below will examine the increase for three subcategories within this area.

	Current Fee	New Fee	Number of Facilities	Total Current Fee	Total New Fee
Type A Commercial	\$6,496	\$16,240	9	\$58,464	\$146,160
Type B Commercial	\$3,248	\$8,120	25	\$81,200	\$203,000
Class II, III, and Storage	\$651	\$1,621	1,129	\$734,979	\$1,830,109

In addition to the information above, Class 1 Injection Well production fees will increase from \$400,000 to \$1 M, or a \$600,000 increase annually.

The proposed bill increases also raises the fund's cap on capable oil and gas from \$2.45 M to \$3.675 M (\$1.225 M).

This legislation also increases the acreage fee donated to the Oil and Gas Regulatory Fund from \$5 per acre to \$15 per acre. Providing for 40,000 acres, revenues will increase from \$200,000 to \$600,000, or an increase of \$400,000 annually. The proposed legislation also introduces 31 new fees which are anticipated to increase revenues by approximately \$2 M per year.

**See table on page 2 for more information.**

- Senate Dual Referral Rules House
- 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
  - 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}
  - 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
  - 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S}
  - 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

*Evan Brasseaux*  
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**Staff Director**



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CONTINUED EXPLANATION from page one: Page 2 of 2

Continued Expenditure Explanation from Page 1
Should a company elect to apply for an expedited permit pursuant to the proposed bill, the company will be required to pay for the overtime hours a DNR employee works to process the permit and administrative costs not exceeding 20% of overtime salary expenditures.

Proposed New Fees from Page 1

Table with 4 columns: Application Type, Proposed Free, Number of Applications, Projected Revenue. Lists various permit types and their associated costs and revenues, ending with a total new revenue of \$1,998,846.

Continued Revenue Explanation from Page 1
Revenues associated with the expedited permit program will not exceed the expenditures associated with providing the expedited permits as the company applying for the permit will pay for the expenditures directly.

Senate Dual Referral Rules House
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