

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 425** SLS 16RS 660

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 18, 2016	2:19 PM	Author: ALLAIN
Dept./Agy.: Department of Natural Resources, Office of Conservation		Analyst: Mason Hess
Subject: Dedicates the annual assessment to specific funds		

CONSERVATION

EG SEE FISC NOTE

Page 1 of 1

Dedicates the annual assessment on an operator who chooses not to plug an inactive well. (gov sig)

Present law establishes the Oil and Gas Regulatory Fund and the Oilfield Site Restoration Fund. Proposed law dedicates 50% of any fees, fines, civil penalties, and annual assessment paid by an operator who chooses not to plug a well classified as inactive to the Oilfield Site Restoration Fund with the remainder being deposited into the Oil and Gas Regulatory Fund.

Effective upon governor's signature.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	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	2016-17	2017-18	2018-19	2019-20	2020-21	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 \$500,000 of future revenues from the Oil and Gas Regulatory Fund to the Oilfield Site Restoration Fund. The Department of Natural Resources (DNR) indicates that the transfer of revenues and funds from the Oil and Gas Regulatory Fund could result in reductions in employees' wages and benefits given that this Fund currently pays the operating expenses for the Office of Conservation in DNR, which includes office rent, utilities, equipment, and employees' wages and benefits. To the extent that the transfer of funds under proposed law required or prompted reductions in expenditures and to the extent that no other funding supplanted funds lost from the transfer of said funds, DNR reports that the only area of potential reduction would be in employees' wages and benefits.

DNR projects that an additional 16 wells could be removed and restored (P&A) from the "shut in-future utility" category annually with the transfer of \$500,000 to the Oilfield Site Restoration Fund from the Oil and Gas Regulatory Fund.

REVENUE EXPLANATION

Proposed law requires half of the annual \$250 penalty (\$125), resulting from oil and gas wells being in a "shut in-future utility" status for five years or more, to be deposited into the Oilfield Site Restoration Fund in lieu of all of the paid and collected penalties being deposited into the Oil and Gas Regulatory Fund as is current practice under present law. DNR indicates that as of May 20, 2016, 4,000 oil and gas wells are categorized as "shut in-future utility" and could be subject to the \$250 annual penalty. The collection of the penalty on these 4,000 wells will result in \$1,000,000 in revenues, half of which, \$500,000, would be placed in the Oilfield Site Restoration Fund after transfer from the Oil and Gas Regulatory Fund as a result of proposed law.

Senate Dual Referral Rules House

- | | |
|---|--|
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

Evan Brasseaux

Evan Brasseaux
Staff Director