



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 451** HLS 16RS 66
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 19, 2016 10:02 AM **Author:** MORRIS, JIM
Dept./Agy.: Department of Natural Resources, Office of Conservation
Subject: Reduces and Eliminates Fees for the Office of Conservation **Analyst:** Mason Hess

CONSERVATION/OFFICE OR DECREASE OF RV See Note Page 1 of 2
 Decreases and repeals certain fees collected by the office of conservation

Present law allows the Department of Natural Resources (DNR) to collect annual fees from operators of oil and gas wells for the Office of Conservation. Proposed law eliminates 31 application fees that range from \$50-\$3,000 that are related to various types of activities and permits. Proposed law lowers the caps on fee collection for capable oil and gas wells, Class I wells, Class II wells, Class III wells, and storage wells in addition to Type A and B facilities. Proposed law limits any fee increase(s) to fees charged prior to July 1, 2015, to 8.5% of the fees charged on July 1, 2002.

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>	\$0
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	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)	(\$25,000,000)
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>	\$0
Annual Total	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)	(\$25,000,000)

EXPENDITURE EXPLANATION

DNR projects an expenditure decrease of \$5 M due to revenue losses as provided by proposed law. DNR reports that this reduction may result in the loss of 64 T.O. positions of the 133 total T.O. positions in DNR's Office of Conservation. These T.O. reductions may impact the department's ability to process and approve permits for drilling, to conduct inspections for drilling operations, to identify violations, to issue regulatory sanctions, to maintain records, and to conduct audits, among other potential impacts.

REVENUE EXPLANATION

DNR estimates an annual revenue loss of \$5,000,000 in agency SG revenues under proposed law.

Proposed law eliminates 31 application fees established in 2015 in order to replace reduced SGF funding as well as funding lost from the depleted Mineral and Energy Trust Fund according to DNR. Proposed law decreases the capable oil and gas wells fee collection cap by \$1,225,000, the Class I wells fee cap by \$600,000, and the Class II, Class III, storage well, and Type A and Type B facilities fee cap by \$1,312,500. The three fee cap reductions in proposed law are listed below.

	Current Fee Cap (est. 2015)	Proposed New Fee Cap
Capable Oil and Gas Wells	\$3,675,000	\$2,450,000
Class I Wells	\$1,000,000	\$ 400,000
Class II, III, Storage Wells and Type A/B Facilities	\$2,187,500	\$ 875,000

Proposed law repeals the following fees authorized by present law.

Application for alternate unit well, exception to 29-E, exception to 29-B, severance tax relief, downhole combinations, well product reclassification, selective completion, pilot projects, waiver of production test, or critical date order	\$504
Application for work permit - minerals	\$75
Application to amend permit to drill - minerals (lease unit well, stripper, incapable, other)	\$50

SEE CONTINUED REVENUE EXPLANATION ON PAGE 2

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|--|----------------------------|--|
| Senate | <u>Dual Referral Rules</u> | 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 checked="" 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

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 Staff Director



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CONTINUED EXPLANATION from page one:
CONTINUED REVENUE EXPLANATION FROM PAGE 1

Table with 2 columns: Description and Amount. Rows include Operator registration (\$105), Annual compliance review fee - Class III solution mining cavern (\$2,000), Annual compliance review fee - Class II hydrocarbon storage and exploration and production waste cavern (\$2,000), Class III carbon dioxide enhanced recovery project (\$5,000), Community saltwater disposal system initial notification (\$125), Application for work permit - injection or other (\$125), Work permit to plug and abandon a well utilized for naturally occurring radioactive waster disposal (\$500), Requests to modify well permit (\$300), Class V permit waiver or exemption request (\$250), Witnessed verification or mechanical integrity tests (\$250), Transfer stations regulatory fee for exploration and production waste (\$2,500), Request to transport exploration and production waste to commercial facilities or transfer stations (\$150), Authorization for after-hours disposal of exploration and production waste (\$150), Exploration and production waste determination (\$300), Commercial facility transfer station application (\$1,500), Commercial facility application exclusive of an associated well (\$3,000), Commercial facility annual closure plan and cost estimate review (\$300), Commercial facility reuse material application (\$300), Reuse material application not associated with a commercial facility (\$400).

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(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux
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Staff Director