

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

**ACT 666**

Fiscal Note On: **HB 819** HLS 16RS 497

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:



<b>Date:</b> June 29, 2016 9:21 AM	<b>Author:</b> MORRIS, JIM
<b>Dept./Agy.:</b> Department of Natural Resources, Office of Conservation	<b>Analyst:</b> Mason Hess
<b>Subject:</b> Provides for the Oilfield Site Restoration Fund	

CONSERVATION

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Provides for the Oilfield Site Restoration Fund

Present law establishes the Oilfield Site Restoration Fund (Fund) to place fees collected on oil and gas production in the state and authorizes the Department of Natural Resources (DNR) to use monies in the Fund for oilfield site restoration programs. Proposed law authorizes the issuance of bonds to raise funds for authorized purposes and provides that the bonds shall not include site specific trust account monies. Proposed law eliminates the 1.5¢ fee on oil and condensate in present law, and replaces it with a fee schedule based on the price of oil. Present law suspends fee collection when the Fund balance equals or exceeds \$10 M and authorizes fee collection to resume when the Fund is below \$6 M. Site-specific trust accounts are not counted toward the balance of the Fund. Proposed law increases the Fund balance for suspending fee collections from \$10 M to \$14 M and increases the balance to resume fee collection from \$6 M to \$10 M. Proposed law requires \$1 M from the Fund to be used to plug orphaned wells in Shreveport and Monroe. Present law limits the commission or state's liability or responsibility to pay for site restoration beyond the Fund. Proposed law adds funds from the issuance of bonds to the limit.

EXPENDITURES	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	\$0	\$0	<b>\$0</b>
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>				<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

REVENUES	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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**

Proposed law stipulates that \$1 M (or 20% of appropriations, whichever is less) from the Oilfield Site Restoration (OSR) Fund be spent in the Shreveport and Monroe districts to plug orphaned wells for three fiscal years beginning in FY 16-17. This will not result in additional expenditures because proposed law simply dedicates funds already used to plug wells for use in certain districts. Proposed law may result in increased expenditures for OSR activities to the extent that the OSR Commission issues bonds. Proposed law increases allowable administrative expenditures by DNR up to \$950,000 from \$750,000. DNR reports that it will utilize the \$200,000 expenditure increase to administer the Fund and will likely hire additional personnel to that effect.

**REVENUE EXPLANATION**

OSR funds are used to plug and abandon orphaned wells and to restore sites for redevelopment. Proposed law eliminates the current 1.5¢ assessment per barrel of oil deposited into the Statutory Dedication - Oilfield Site Restoration Fund (Fund), and replaces the assessment with the following fee schedule based on the price of oil.

Price per barrel \$60 or less	1.5¢ per barrel
Price per barrel more than \$60 and at or less than \$90	3.0¢ per barrel
Price per barrel more than \$90	4.5¢ per barrel

There is no anticipated direct material effect on governmental revenues as a result of proposed law at this time. Both the current official forecast of the Revenue Estimating Conference and the current New York Mercantile projections do not forecast prices for oil or gas to increase to the prices outlined in the fee schedule requiring a fee increase during the five-year window addressed in this fiscal note. To the extent oil prices may exceed current forecasts and cross the \$60 per barrel threshold for oil, the state would realize an increase in statutorily dedicated revenues deposited into the Oilfield Site Restoration Fund. Oil prices can exhibit substantial volatility and the extent to which they may exceed the thresholds outlined in proposed law in the future are largely speculative. **CONTINUED ON PAGE 2**

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|---|--|--------------|
| <u>Senate</u>   | <u>Dual Referral Rules</u>   | <u>House</u> |
| <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*

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**Staff Director**

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**CONTINUED EXPLANATION from page one:**

**CONTINUED FROM REVENUE EXPLANATION ON PAGE 1**

To the extent that bonds are issued, the collected monies will be used to pay for the principle, interest, and other related costs of the bond issuance for the purpose of financing OSR activities. The bonding funds will not be counted toward the balance of the Fund for cap purposes. The issuing bonds may result in a revenue increase in addition to the projected revenue increase from the proposed assessment increases. If the revenue is securitized through a bond sale, the bonds could be considered net state tax supported debt, which is subject to certain limitations. Proposed law limits the annual debt service to 50% of pledged revenues to be received in the calendar year that bonds are issued.

NOTE: Proposed law is effective if and when HB 632 of the 2016 Regular Session is enacted and becomes effective.

Senate      Dual Referral Rules      House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

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

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