

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 49** HLS 17RS 476

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 5, 2017 7:29 AM	Author: BISHOP
Dept./Agy.: Natural Resources/Mineral	Analyst: Willis Brewer
Subject: Increases allocation to Mineral and Energy Operation Fund	

MINERALS/MINERAL BOARD OR +\$900,000 SD EX See Note
To provide for the Mineral and Energy Operation Fund

Present law establishes the Mineral and Energy Operation Fund as a special fund in the state treasury to be used solely for the administration and regulation of minerals, groundwater, and related energy activities. The secretary of the department is required to annually report to the legislature with respect to legal costs paid with monies from the fund.

Present law provides for deposit of the following revenues into the fund: up to \$1.6 million received from judgments and settlements, income received from seismic survey permits, and any other monies designated for deposit.

Proposed law increases the amount deposited from judgments and settlements from \$1.6 million to \$2.5 million (\$900,000 increase).

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$900,000	\$900,000	\$900,000	\$900,000	\$900,000	\$4,500,000
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>	<u>\$0</u>
Annual Total						

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$900,000	\$900,000	\$900,000	\$900,000	\$900,000	\$4,500,000
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>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

Proposed law will increase expenditures from Statutory Dedications for the Department of Natural Resources Office of Mineral Resources as a result of an increase in the allocation of mineral revenues recovered from court awarded judgments and settlements into the Mineral and Energy Operation Fund.

The Office of Mineral Resources anticipates using these additional funds to fill eight vacant positions including four auditors, an engineer, geologist, land specialist, and administrative assistant (\$672,000), increasing operating expenditures (\$105,000), travel (\$40,000), other charges/IT support (\$23,000), and equipment (\$60,000). To the extent these state general fund dollars were funding existing recurring expenditures, those SGF expenditures will be reduced or eliminated.

REVENUE EXPLANATION

Proposed law reallocates \$900,000 into the Mineral and Energy Operation Fund that otherwise would be deposited into the State General Fund. As of the January 2017 REC meeting, the Natural Resource revenue forecast (royalties, rentals, bonuses, and mineral interest) is \$195.6 million excluding dedications. The proposed law would increase the dedications that will result in a reduction in available SGF available for appropriation.

To the extent these additional positions increase the royalties and settlement collections that are outstanding in Louisiana, this will provide additional revenues to the state. Based on five years (FY 12 - FY 16) of audit settlements (\$16 M) and auditors (59 duplicated total) at DNR, the average annual settlement per auditor has been \$273,310. Using this average, four additional auditor would potentially increase state general revenues by \$1.1 M which would offset this state general fund reduction. However, the actual audit settlement per auditor has ranged from \$103,663 to \$456,459 so any increase in SGF is indeterminable.

Five year History of OMR Auditors and Audit Settlements

	\$ Audit settlements	Auditors	\$ Settlement per Auditor
FY 12	\$5,477,504	12	\$456,459
FY 13	\$2,472,198	12	\$206,017
FY 14	\$4,265,645	13	\$328,127
FY 15	\$2,769,652	11	\$251,787
FY 16	\$1,140,296	11	\$103,663
Total	\$16,125,296	59	\$273,310

Senate Dual Referral Rules House

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| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input checked="" 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