

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 104** HLS 18RS 303

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: March 18, 2018 12:20 PM	Author: MORRIS AND BISHOP
Dept./Agy.: Natural Resources	Analyst: Willis Brewer
Subject: Pipeline Safety Program Violation Fee Schedule	

ENERGY/PIPELINES

OR SEE FISC NOTE SD RV

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Increases the ceiling on penalties for pipeline safety violations

Present law authorizes the commissioner of conservation to levy certain penalties for violations of the pipeline safety provisions of law. Requires a notice of the violation and an opportunity for a hearing. Authorizes the imposition of a penalty not to exceed \$10,000 per day for each violation with a maximum penalty not to exceed \$500,000 for any related series of violations.

Proposed law increases the maximums to \$200,000 per day of violation and a maximum of \$2 million for any related series of violations.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	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	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	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	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

EXPENDITURE EXPLANATION

The proposed law will have an indeterminable impact on DNR's expenditures. DNR uses statutory dedications out of the Oil and Gas Regulatory Fund for the pipeline safety program and then seeks federal reimbursement for these expenditures. This measure is anticipated to increase the federal reimbursement by approximately \$25,000 and reduce the state contribution by a like amount. This excess in statutory dedications can be reinvested into the pipeline program for future expenditures or used by the Office of Conservation for its general operations. However, any potential savings in statutory dedications will not be known and realized until after the federal reimbursement is finalized which is typically in June.

REVENUE EXPLANATION

The proposed legislation will have an indeterminate impact to the Department of Natural Resources revenues, but is anticipated to result in additional federal revenues. The proposed law raises the maximum daily penalty cap for pipeline safety violations from \$10,000 to \$200,000 in order to make the state law consistent with federal law. Over the last five years (2013-2017), the average penalty assessed by the Office of Conservation was \$1,068. Conservation has not assessed a penalty greater than \$10,000 and has indicated it is not anticipating it will assess a penalty greater than \$10,000 over the next five years. However, this legislation provides the ability to assess penalties significantly greater than what is currently allowed. To the extent Conservation does assess a penalty greater than the current maximum \$10,000 penalty, this legislation would then provide Conservation with additional revenues from these penalties.

The proposed law is anticipated to increase annual federal funds by approximately \$25,000 based on current (2017) pipeline grants, but will depend on the annual grant amount. The federal grants for the pipeline safety program reimburse DNR for expenses incurred by the agency. This reimbursement is based on the total cost approved by the federal government, the maximum allocation percentage, and the state agency performance score. The maximum allocation percentage is the amount the federal government agrees to pay of the total cost. The state agency's performance score will then reduce this maximum allocation percentage. Currently, DNR's score is reduced because the penalty amount (\$10,000) in statute is less than the federal requirement (\$200,000). The proposed law's increase in the maximum penalty cap will improve DNR's federal scoring and is anticipated to result in additional federal funding.

<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}

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