LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 636** HLS 13RS 292

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

REVISED

Date: May 1, 2013 5:50 PM

Author: DANAHAY

Dept./Agy.: Public Safety, Natural Resources, etal.

Subject: Changes the oil spill contingency fee and removes limits

Analyst: Alan M. Boxberger

ENERGY/OIL & GAS OR SEE FISC NOTE SD RV

Changes the oil spill contingency fee both in amount and application and removes limitation on expenditures from the Oil Spill Contingency Fund

Present law provides for funding of oil spill response activities; provides a 2 cents per barrel fee levied on crude oil transferred to or from vessels at marine terminals; provides for deposit in the Oil Spill Response Fund to be used to respond to oil spills; limits the balance in the fund to $30 million; provides for allowable and limited usage of monies in the fund; provides that the fee increases to 4 cents when the balance in the fund is less than $5 million, when an unauthorized discharge of more than 100,000 gallons occurs, or when allowable expenditures from the fund are expected to deplete more than 50% of the fund balance; provides that once initated the fee shall continue until the fund balance equals $7 M at which point the fee shall cease. Proposed law defines refinery to mean a facility located within Louisiana where crude oil is converted into a finished or higher grade product; removes the $30 M fund ceiling; removes limits to certain allowable uses; levies a base fee on the operator of a refinery of 1/4 cent per barrel, rising to 1/2 cent per barrel for the existing initiation and cessation triggers (floor of $5 M, ceiling of $7 M, 100,000 plus gallon spill and expected 50% depletion).

EXPENDITURES	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**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	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total						

REVENUES	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**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	$0	$0	$0	$0	$0	**$0**
Annual Total						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The Department of Revenue (DoR) reports that the fees are currently processed manually and proposed law would result in no change in expenditures.

For informational purposes, the FY 14 recommended appropriations from the Oil Spill Contingency Fund:

Public Safety - La Oil Spill Coordinator's Office	$1,865,636
Wildlife and Fisheries - Office of Wildlife	$ 302,000
Natural Resources - Coastal Management	$ 175,763
Department of Environmental Quality - Environmental Compliance	$ 156,145
	$2,499,544

Revenues projected by the base fee in proposed law exceed the FY 14 recommended appropriation level by approximately $700,000, a substantial reduction from recent excess collections (see revenues below). Monies in the Oil Spill Response Fund are used to immediately provide available resources for response to all threatened or unauthorized discharges of oil, clean up, damage reparation, and removal costs from threatened or unauthorized discharges of oil. To the degree that future oil spill events require state action, the reduced revenue levels may potentially create a need for increased SGF expenditure authority to facilitate oil spill responses in the event the fund balance at the time of the incident is insufficient to cover the response need.

REVENUE EXPLANATION

Proposed law will result in a decrease in revenues deposited into Statutory Dedications - Oil Spill Contigency Fund. Proposed law broadens the fee base from one based on the barrels of crude oil transferred to or from a vessel at a martime terminal within Louisiana to one based on the barrels of crude oil received by a refinery for storage or processing. The base fee is lowered from $0.02 per barrel to $0.0025 per barrel. In the instance that the fund balance falls below $5 M, or certain other conditions exist, the base fee increases to $0.005 per barrel until the State Treasurer certifies the fund balance has reached the designated threshold of $7 M.

In the wake of the Deepwater Horizon oil spill event that began on April 20, 2010, the Louisiana Legislature passed legislation to facilitate state response to emergency oil spill situations. Specifically, Act 962 of the 2010 Regular Legislative Session provided that the $30 million ceiling on monies in the Oil Spill Contiengcy Fund shall be discharged during a declared state of emergency or disaster caused by an unauthorized discharge of oil. Act 962 also removed the provision for cessation of fee collection once the fund balance reached the $7 M threshold as per present law. Governer Jindal issued Executive Proclamation No. 20 BJ 2010, on April 29, 2010, declaring a state of emergency in response to the Deepwater Horizen event. The emergency declaration has been extended each month since that time through renewal proclamations. As a result, revenues deposited into the Oil Spill Collection Fund have continued unabated and without regard to the existing fund balance since April of 2010, driving the annual collections above historical averages. To the degree that the

CONTINUED ON PAGE 2

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		☐ 6.8(F) >= $500,000 Annual Fiscal Cost {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}

Gregory V. Albrecht
Chief Economist

CONTINUED EXPLANATION from page one:
executive proclamations related to the Deepwater Horizon event continue into the future, proposed law would have a greater impact on deflating revenues that would occur in the absence of a declared emergency.

Over the past five fiscal years, collections in the Oil Spill Contingency Fund were as follows:

FY 12	$7,427,333
FY 11	$5,788,555
FY 10	$ 161,134
FY 09	$ 99,895
FY 08	$6,604,273

Collections were suspended during the majority of FY 09 and FY 10 due to the fund balance exceeding the $7 M ceiling.

The IRS identifies 25 active refineries in Louisiana as of March 31, 2013. During calendar year 2012, the Department of Natural Resources SONRIS system summarized refinery acquisitions of crude oil at approximately 1.3 billion barrels. Using the proposed base rate of $0.0025 per barrel, the estimated revenues would total approximately $3.2 million annually, or a decrease of $4.2 million below FY 12. Due to the ongoing executive proclamations extending the state of emergency caused by the Deepwater Horizon event, current revenue collections are artificially inflated compared to historical collections. In the absence of a state of emergency, revenue collections in FY 12 would have been $0 under present law. To the degree that the executive proclamations of a state of emergency continue to be extended, proposed law would have a significant negative impact on revenue collections ranging from a decrease of $2.5 M compared to FY 11 collections up to the aforementioned $4.2 M compared to FY 12 collections. Relative to collections in non-emergency periods, proposed law would have a relatively small effect on revenue collections. The annual impact may be larger or smaller dependent upon the number of barrels received annually by refineries. In years where an event triggers the increased $0.005 per barrel fee (balance falls below $5 million, unauthorized discharge of more than 100,000 gallons, or anticipated depletion of 50% of the fund balance for damages and removal), the annual collection may grow to approximately $6.4 million annually.

Proposed law removes the $30 M ceiling on the Oil Spill Contingency fund balance.