

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 428** SLS 16RS 637

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 25, 2016 12:03 PM	Author: ALLAIN
Dept./Agy.: Department of Natural Resources, Office of Conservation	Analyst: Mason Hess
Subject: Dedicates certain funds to oilfield site-specific trust accounts	

TAX/ENERGY

EG INCREASE OF RV See Note

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Dedicates certain funds to oilfield site-specific trust accounts in order to provide for oilfield site restoration. (gov sig)

Proposed law creates oilfield site specific trust accounts for orphaned well sites, and provides that 100% of the severance tax from orphaned wells be credited to the accounts. These funds are then available for site restoration when required in the future as per a plan approved by the Department of Natural Resources (DNR). Once a site account is fully funded, severance tax flows to the state general fund. Funds remaining in the accounts after site restoration are to be remitted to the well operator. For purposes of this program, orphaned wells are defined as not having any reported production for more than two years. Proposed law authorizes DNR to make any rules, regulations, or orders necessary to implement the provisions in the bill.

Effective upon governor's signature.

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	\$0	\$0	\$0	\$0	\$0	\$0
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	\$0	\$0	\$0	\$0	\$0	\$0

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	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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

DNR projects that no additional staff will be needed to implement the proposed program as any duties or work associated with the program and eligible wells (2,700 orphan) would be distributed among existing staff. According to DNR, currently few, if any, orphaned wells are brought back into production on an annual basis. Deposits to the site accounts resulting from this bill will presumably be able to fund the additional staff resources and any other costs within DNR associated with the program.

REVENUE EXPLANATION

DNR estimates that there are some 2,700 orphan wells (out of 3,000 total) that may be eligible for this bill's provisions. According to DNR, currently few, if any, orphaned wells are brought back into production on an annual basis. Thus, there is no baseline of production and severance tax or royalty receipts anticipated from these types of wells in the official revenue forecast. To the extent orphaned wells are brought back into production any associated severance tax receipts would be deposited into the site accounts required by the bill and the approved plans for site restoration. Constitutional allocations to local governments are unaffected by the bill.

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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