

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 572** HLS 21RS 910

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 30, 2021	2:24 PM	Author: WHITE, M
Dept./Agy.: Natural Resources		Analyst: Kimberly Fruge
Subject: Storage of New Substances in Reservoirs		

CONSERVATION EG INCREASE SD EX See Note
Provides relative to the Carbon Dioxide Geologic Storage Trust Fund

Present law provides for storage of liquid or gaseous hydrocarbons or carbon dioxide in underground reservoirs and salt domes. Present law includes rules and regulations for hearings to determine when hydrocarbons and carbon dioxide can be stored. Proposed law retains present law and provides for storage of hydrogen, nitrogen, ammonia, compressed air, or noble gases following the same rules and regulation outlined in present law. Proposed law retains present law storage fees of up to \$5,000,000 and regulatory fees up to \$50,000.

Proposed law changes the application fees for sequestration from the 8.5% cap and limits the fee to an amount equal to or less than the actual or anticipated cost to the state for the review of the application. Proposed law allows the Commissioner of Conservation to contract for professional services to assist with permits or application reviews for the carbon dioxide sequestration program.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$600,000	\$800,000	\$800,000	\$800,000	\$800,000	\$3,800,000
Federal Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

REVENUES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$600,000	\$800,000	\$800,000	\$800,000	\$800,000	\$3,800,000
Federal Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

EXPENDITURE EXPLANATION

Proposed law will increase statutory dedication expenditures by \$600,000 out of the Carbon Dioxide Geologic Storage Trust Fund in the Department of Natural Resources (DNR) as a result of outsourcing sequestration permits. The proposed law does the following: (1) adds hydrogen, nitrogen, ammonia, compressed air, or noble gases to the list of approved substances for underground storage; and (2) allows the Commissioner of Conservation to contract for professional services to assist with permits or application reviews for the carbon dioxide sequestration program. DNR reports that permitting underground storage of additional substances can be accomplished using existing budget and resources including the use of federal grant funds. To the extent the department processes more underground storage permits as a result of this measure, the fees authorized in existing law will defray any increase to staff workload.

The proposed law prohibits DNR from charging a fee that exceeds the actual amount or anticipated costs to the state for review of applications and permit fees. DNR estimates the costs of outsourcing the sequestration permits to third parties to be an average of \$200,000 per new site, with reduced costs at each site for review redundancy. The department expects three permit reviews in FY 22 (\$600,000) and four permit reviews for FY 23, FY 24, FY 25, and FY 26, (\$800,000 each year).

Additionally, upon completion of promulgated rules to include additional substances in underground storage in FY 23, DNR will incur a one time costs of \$14,000 for publication in the Louisiana Register.

SEE EXPENDITURE EXPLANATION CONTINUED ON PAGE TWO

REVENUE EXPLANATION

Proposed law is anticipated to increase Statutory Dedication revenues in DNR. Revenue includes application fees, annual organizational fees, and annual compliance fees as well as a voluntary third party review fee for the sequestration program. For the underground storage program, the application fees for both the solution-mining and storage permits are set at \$252. DNR predicts one permit in FY 23 (\$252), two in FY 24 (\$504) and FY 25 (\$504), and one in FY 26 (\$252). Annual organizational fees are set at \$105, DNR predicts one annual fee in FY 23 (\$105), two in FYs 24 and 25 (\$210 each), and three in FY 26 (\$315). Lastly, DNR expects to collect \$2,000 in annual compliance fees in FY 24, FY 25, and FY 26.

For the sequestration program, the proposed law allows the department to collect fees based on the payout to third parties. Therefore, the expected revenue matches the expected expenditures (FY 22 - \$600,000, FY 23 - \$800,000, FY 24 - \$800,000, FY 25 - \$800,000, FY 26-\$800,000).

DNR plans to apply for additional federal funds (Underground Injection Control Grants). The department's estimates for how much they will receive in federal funds and the summation of fees listed above are in the table below.

	FY 22	FY 23	FY 24	FY 25	FY 26
Ded./Other	\$ 600,000	\$ 800,357	\$ 802,714	\$ 802,714	\$ 802,567
Federal Funds	\$ 911	\$ 26,761	\$ 2,700	\$ 2,850	\$ 1,500
Total	\$ 600,911	\$ 827,118	\$ 805,414	\$ 805,564	\$ 804,067

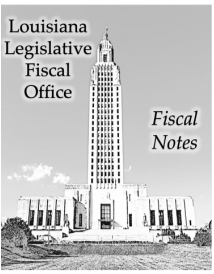
- Senate
- 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
- 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

- House
- 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
- 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Alan M. Boxberger

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Staff Director

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CONTINUED EXPLANATION from page one:

CONTINUED EXPENDITURE EXPLANATION FROM PAGE ONE:

Estimated expenditures based on these assumptions:

	FY 22	FY 23	FY 24	FY 25	FY 26
Ded./Other	\$ 600,000	\$ 803,500	\$ 800,000	\$ 800,000	\$ 800,000
Federal Funds	\$ 0	\$ 10,500	\$ 0	\$ 0	\$ 0
Total	\$ 600,000	\$ 814,000	\$ 800,000	\$ 800,000	\$ 800,000

Senate

Dual Referral Rules

- 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
- 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House

- 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
- 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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