

**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



Fiscal Note On: **HB 23** HLS 243ES 59
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: November 13, 2024 9:01 AM **Author:** GEYMANN
Dept./Agy.: Energy and Natural Resources **Analyst:** Richie Anderson
Subject: Oilfield Site Restoration Fund

MINERALS OR INCREASE SD RV See Note Page 1 of 1
 Provides for the administration of the Oilfield Site Restoration Fund (Item #16)

Present law establishes the Oilfield Site Restoration Fund (Fund) to collect fees from oil and gas production and authorizes the Department of Energy and Natural Resources (DENR) to use the Fund for site restoration programs. Proposed law allows the Oilfield Site Restoration Commission (Commission) to pledge revenue under the direction of the Natural Resources Trust Authority (NRTA), with oversight provided by the State Mineral and Energy Board. Under the proposed law, NRTA would manage the Fund, security instruments, and site-specific trust accounts, and execute agreements on behalf of the commission. Present law authorizes the secretary and assistant secretary to direct Fund disbursements, with the Commission approving allocations up to \$500,000 annually. Proposed law would allow the NRTA to direct disbursements and approve allocations, removing the Commission's authority to approve such disbursements. NRTA would assume authority over the special custodial trust fund within the Fund in which federal funds are designated. Finally, the proposed law increases existing fees that are imposed on wells that produce crude oil or natural gas per barrel. Proposed law removes the average New York Mercantile Exchange as the benchmark used to determine the price of oil. Effective July 1, 2025.

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0					\$0

REVENUES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

To the extent significant revenues are generated from the increase in fees, a subsequent increase in Statutory Dedications expenditures can be expected; however, the LFO cannot anticipate the timing or amount of these expenditures.

REVENUE EXPLANATION

Proposed law will increase Statutory Dedication revenues into the Oilfield Site Restoration Fund due to the increase in the fee assessment per barrel of oil and per thousand cubic foot (MCF) of natural gas.

Proposed law increases the fees on full-rate production crude oil and condensate as follows, based on the oil price per barrel: below \$60, the fee will increase from 1.5 cents to 2 cents; between \$60 and \$90, the fee will increase from 3 cents to 4 cents; above \$90, the fee will increase from 4.5 cents to 6 cents. Proposed law increases the fees on natural gas and casing head gas from producing wells from 3/10 of 1 cent to 2 cents per MCF.

Proposed Fee Changes (in cents):

Oil-Price per Barrel	Current Fee	New Fee	% Increase
less than \$60	1.5¢	2¢	33.3%
\$60 to \$90	3¢	4¢	33.3%
greater than \$90	4.5¢	6¢	33.3%
Gas	Current Fee	New Fee	% Increase
per MCF	0.3¢	2¢	566.7%

For illustrative purposes, in FY 24, the Department of Energy and Natural Resources (DENR) collected \$901,326 from oil fees and \$12.7 M from gas fees. Based on the proposed fee increases, the total collections in that FY would have risen to \$1.2 M from oil fees and \$84.8 M from gas fees; an increase of \$72.4 M combined. Assuming that oil and gas production remains at a similar level, DENR can anticipate similar collections in future fiscal years; however, due to uncertainty surrounding oil and gas prices and production, the LFO is unable to estimate the precise amount of these collections in future fiscal years.

Oilfield Site Restoration (OSR) fees are collected by the Louisiana Department of Revenue (LDR). The LFO requested a fiscal note worksheet from LDR on potential impacts of the proposed legislation. As of the publication of this fiscal note the allotted 48-hour timeline to complete a fiscal note request pursuant to Joint Rule 4(B)(6) has not yet passed. The LFO will update this fiscal note should the information provided by the department necessitate a change.

Note: Current law requires LDR to stop collecting OSR fees once the balance in the Fund reaches \$14 M and resume once it falls below \$10 M. HB 12 of the 2024 3rd ES repeals this provision in R.S. 30:86(C). Should this legislation be enacted, it would allow the increased collections proposed in this measure to be deposited into the fund.

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}

Patrice Thomas
Deputy Fiscal Officer