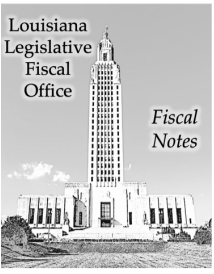


LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 24** HLS 243ES 60
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action: **w/ SEN COMM AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: November 18, 2024 12:28 PM	Author: GEYMANN
Dept./Agy.: Energy and Natural Resources	
Subject: Leasing of State property	Analyst: Richie Anderson

MINERALS/MINERAL BOARD EG1 +\$38,175 SD RV See Note Page 1 of 1
 Provides for the leasing of state property for energy-related purposes (Item #17)

Proposed law gives the State Mineral and Energy Board (SMEB) more authority related to leasing state-owned land for energy projects and increases the fees and deposits associated with these leases. Proposed law defines how certain rules apply to mineral leases on state land and how revenue from these leases, collected by the Office of Mineral Resources will be distributed. The proposed law limits certain requirements, such as minimum royalties and property descriptions, to mineral leases only. It extends the authority of the SMEB to include security interests in any collateral (not just as-extracted collateral) to secure payments under leases. Additionally, the requirement for a Pugh clause is kept but will now only apply to mineral leases. Finally, the proposed law clarifies that specific provisions regarding energy storage and transportation facilities apply to mineral leases and related activities, such as oil, gas, and carbon dioxide injection and storage. Proposed law modifies how revenue from operating agreements is handled, specifying that all revenues (not just production payments) be allocated to the Mineral and Energy Operation Fund. Proposed law clarifies that no mineral lease shall exceed 5,000 acres and no solar production lease exceeds 35 acres. Effective January 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	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$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	\$19,088	\$38,175	\$38,175	\$38,175	\$38,175	\$171,788
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$19,088	\$38,175	\$38,175	\$38,175	\$38,175	\$171,788

EXPENDITURE EXPLANATION
 There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION
 The proposed law will increase Statutory Dedications revenue into the Mineral and Energy Operation Fund related to the management of leases by the State Mineral and Energy Board. The proposed law increases the application fee for leasing public lands from \$400 to \$600, raises the fee for proof of publication from \$20 to \$35, increases the fee for assigning or transferring a lease from \$100 to \$175, and the cash deposit required for applications related to storage and transportation facilities increases from \$50 to \$100. The Department of Energy and Natural Resources (DENR) anticipates an annual increase in revenue of \$38,175 under the new fee structure, based on a five-year average from FY 20-24 of the number of times each fee was collected each year, as seen in the chart below. Since the effective date falls on January 1, 2025, revenues are calculated based on a six month period for FY 25.

Fee Type	Avg # Per Year	Fee Increase	Annual Total Increase
Lease Applications	123	\$200	\$24,600
Proof of Publication	5	\$15	\$75
Lease Assignment/Transfer	180	\$75	\$13,500
Cash deposit for lease application	0	\$50	\$0
Total:			\$38,175

Proposed law clarifies that all revenues collected from any operating agreement, not solely production payments, entered into by the State Mineral and Energy Board shall be credited to the Mineral and Energy Operation Fund for appropriation to DENR. For example this change will allow other types agreements such as wind, solar, hydrocarbon or other alternative energy operating agreements. The possible increase in revenue collections resulting from this change are unknown. Monies in the Mineral and Energy Operation Fund are used solely for the administration and regulation of minerals, ground water, solar, and related energy activities.

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| <p><u>Senate</u></p> <p><input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}</p> <p><input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}</p> | <p><u>House</u></p> <p><input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}</p> <p><input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}</p> |
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Patrice Thomas
Deputy Fiscal Officer