



**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**

Fiscal Note On: **HB 819** HLS 16RS 497  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 19, 2016 1:26 PM	<b>Author:</b> MORRIS, JIM
<b>Dept./Agy.:</b> Department of Natural Resources, Office of Conservation	<b>Analyst:</b> Mason Hess
<b>Subject:</b> Provides for the Oilfield Site Restoration Fund	

CONSERVATION OR INCREASE SD RV See Note Page 1 of 1  
 Provides for the Oilfield Site Restoration Fund

Present law establishes the Oilfield Site Restoration Fund (OSRF) to place fees collected on oil and gas production in the state and authorizes the Dept. of Natural Resources (DNR) to use monies in the Fund for oilfield site restoration programs in addition to creating the Oilfield Site Restoration Commission. Proposed law authorizes the issuance of bonds to raise funds for authorized purposes. Proposed law provides that the bonds shall not include site specific trust account monies. Proposed law increases the fees deposited into the OSRF from 1.5¢ in present law to 3¢ per barrel of oil and condensate, and from 3/10th of 1¢ in present law to 3/5th of 1¢ per 1,000 cubic feet of gas. Present law suspends fee collection when the Fund balance equals or exceeds \$10 M and authorizes fee collection to resume when the Fund is below \$6 M. Site-specific trust accounts are not counted toward the balance of the Fund. Proposed law increases the Fund balance necessary to suspend fee collections from \$10 M to \$20 M and increases the balance to resume fee collection from \$6 M to \$12 M. Present law limits the liability or responsibility of the commission or the state to pay for site restoration beyond the Fund.

EXPENDITURES	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	SEE BELOW					
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>						
REVENUES	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$3,433,318	\$3,261,653	\$3,098,569	\$2,943,641	\$2,796,459	<b>\$15,533,640</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$3,433,318</b>	<b>\$3,261,653</b>	<b>\$3,098,569</b>	<b>\$2,943,641</b>	<b>\$2,796,459</b>	<b>\$15,533,640</b>

**EXPENDITURE EXPLANATION**

There is no anticipated direct material effect on governmental expenditures as a result of this measure. Proposed law will provide additional funding to DNR for use in oilfield site restoration activities.

**REVENUE EXPLANATION**

Proposed law doubles the current 1.5¢ assessment per barrel of oil and the .3¢ assessment per 1,000 cubic foot of natural gas that is paid by the producer. These assessment increases would double the revenue stream for Oilfield Site Restoration Fund (OSRF) by increasing the \$0.015 assessment to \$0.003 per barrel of oil and the \$0.003 assessment per 1,000 cubic feet of natural gas to \$0.006 per 1,000 cubic feet of natural gas. DNR reports that the OSRF has experienced an 8% decline in fiscal years 2013, 2014, and 2015. OSR funds are used to plug and abandon orphan wells and to restore sites for redevelopment. To the extent that bonds are issued, the collected monies will be used to pay for the principle, interest, and other related costs of the bond issuance for the purpose of financing OSR activities. The bonding funds will not be counted toward the balance of the OSRF for cap purposes. The issuing bonds may result in a revenue increase in addition to the projected revenue increase from the proposed assessment increases. If the revenue is securitized through a bond sale, the bonds could be considered net state tax supported debt, which is subject to certain limitations.

Below are projections from DNR that show the revenues collected from the current assessment and the proposed assessment as well as a column indicating the difference in revenues between the current and proposed fee collection scenarios.

	<b>\$0.003/MCF</b>	<b>\$0.015/BBL</b>	<b>Total</b>	<b>\$0.006/MCF</b>	<b>\$0.03/BBL</b>	<b>Total</b>	<b>Increase</b>
FY 17	\$2,712,191	\$721,127	\$3,433,318	\$5,424,383	\$1,442,254	\$6,866,637	\$3,433,318
FY 18	\$2,576,582	\$685,071	\$3,261,653	\$5,153,164	\$1,370,141	\$6,523,305	\$3,261,653
FY 19	\$2,447,753	\$650,817	\$3,098,570	\$4,895,505	\$1,301,634	\$6,197,139	\$3,098,569
FY 20	\$2,325,365	\$618,276	\$2,943,641	\$4,650,730	\$1,236,553	\$5,887,283	\$2,943,641
FY 21	\$2,209,097	\$587,363	\$2,796,460	\$4,418,194	\$1,174,725	\$5,592,919	\$2,796,459

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

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