

Representative Jim Fannin
Chairman



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Vice Chairman

FY 14-15 Executive Budget Review
DEPARTMENT OF NATURAL RESOURCES

House Committee on Appropriations
by the House Fiscal Division
March 31, 2014



Agenda

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Department Overview

DEPARTMENT OF NATURAL RESOURCES

Creation: Responsible for the conservation, management, and development of water, minerals, and other such natural resources of the state, including coastal management, and excluding, fish and wildlife, and their habitats (R.S. 36:351).

Goal: To provide a fair, predictable, and effective regulatory system that allows opportunities for development and economic growth through the use of our natural resources, while at the same time, ensuring protection of public safety and the environment.



Department Structure

Office of the Secretary

- Executive
- Management and Finance
- Technology Assessment
- Atchafalaya Basin
- Auxiliary

Office of Conservation

- Oil and Gas Regulatory
- Public Safety

Office of Mineral Resources

- Mineral Resources Management

Office of Coastal Management

- Coastal Management



Means of Finance

Means of Finance	FY 12-13 Actual Expenditures	FY 13-14 Existing Operating Budget (12/1/13)	FY 14-15 Executive Budget Recommendation	Change from FY 13-14 to FY 14-15	Percent Change from FY 13-14 to FY 14-15
State General Fund	\$5,461,231	\$7,321,470	\$12,090,198	\$4,768,728	65.1%
Interagency Transfers	\$14,000,836	\$25,162,206	\$23,294,491	(\$1,867,715)	(7.4%)
Fees and Self-Gen Rev	\$46,959	\$345,875	\$345,875	\$0	0.0%
Statutory Dedications	\$27,233,876	\$37,267,619	\$22,669,253	(\$14,598,366)	(39.2%)
Federal Funds	\$64,833,326	\$32,116,834	\$21,591,834	(\$10,525,000)	(32.8%)
TOTAL	\$111,576,228	\$102,214,004	\$79,991,651	(\$22,222,353)	(21.7%)
Authorized Positions	367	411	342	(69)	(16.8%)

Significant Adjustments:

State General Fund

- Increased due to means of finance swaps to replace statutory dedications.

\$4.7M



Statutory Dedications

- Decreased due to means of finance swap and nonrecurring oilfield site projects and a legal settlement.

\$14M



Federal

- Reduction in federal budget authority due to the end of a federal stimulus grant from the U.S. Dept. of Energy.

\$10M



Authorized Positions

- 55 positions reduced due to the I.T. consolidation, 5 lost from the hiring freeze, and 9 vacancies eliminated.

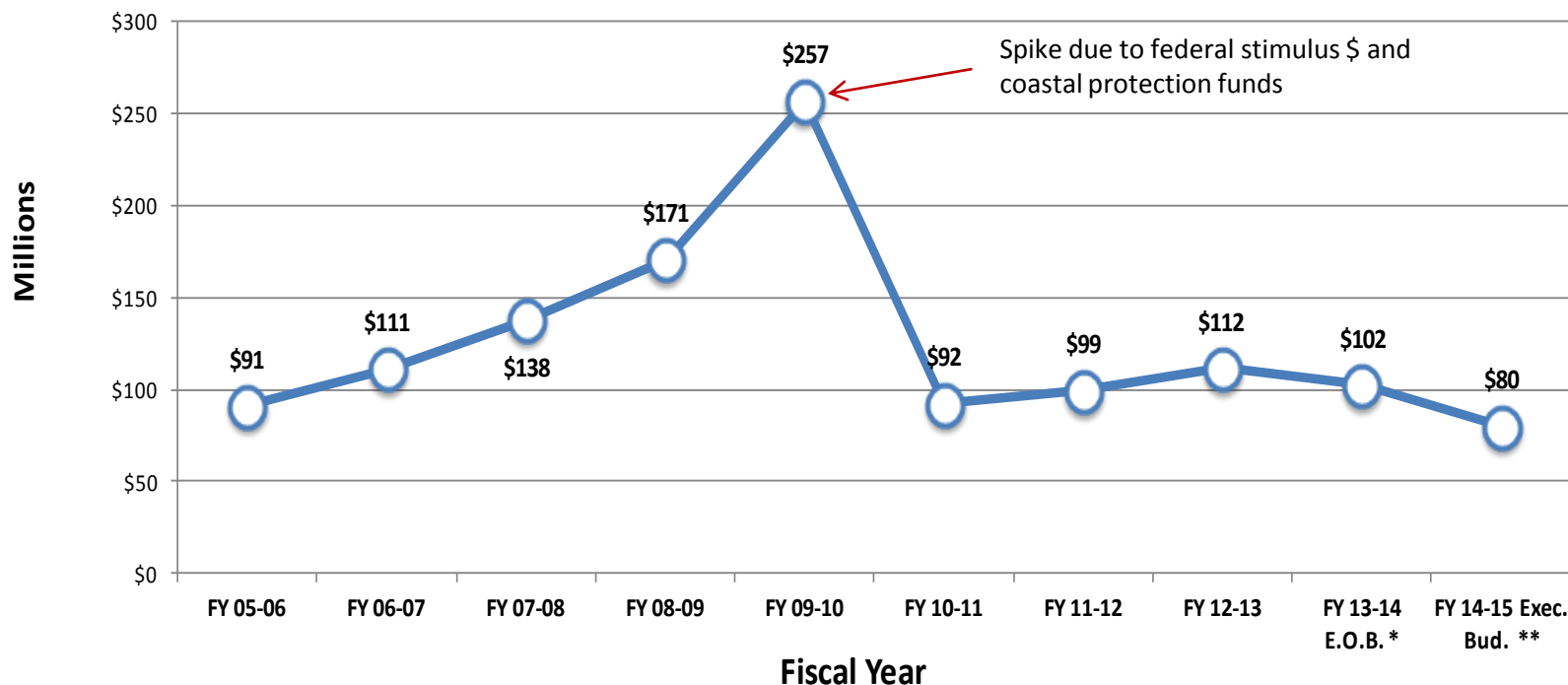
69 T.O.





10-Year Budget History

NATURAL RESOURCES (Total Funding)



Source: Executive Budget Supporting Documents

*Existing Operating Budget as of 12/1/13

**Governor's Executive Budget Recommendation



Major Sources of Revenues FY 14-15

Interagency Transfers - \$23 million

- \$9.6 million transferred within DNR agencies
- \$6.4 million from the Department of Wildlife and Fisheries and the Department of Environmental Quality for the management and finance consolidation
- \$5.6 million from the Office of Coastal Protection and Restoration Authority

Statutory Dedications - \$23 million

- \$8.4 million from Oil & Gas Regulatory Fund
- \$7.1 million from the Mineral & Energy Operation Fund
- \$4.9 million from the Oil Site Restoration Fund
- \$1.1 million from the Coastal Resources Trust Fund

Federal Funds - \$22 million

- \$16.2 million from Federal energy settlement funds
- \$2.5 million for coastal management grant



Expenditure Breakdown

Expenditures	FY 12-13 Actual Expenditures	FY 13-14 Existing Operating Budget (12/1/13)	FY 14-15 Executive Budget Recommendation	Change from FY 13-14 to FY 14-15	Percent Change from FY 13-14 to FY 14-15
Salaries	\$20,688,935	\$24,806,673	\$20,684,418	(\$4,122,255)	(16.6%)
Other Compensation	\$207,183	\$402,269	\$273,135	(\$129,134)	(32.1%)
Related Benefits	\$9,555,980	\$12,406,807	\$11,345,974	(\$1,060,833)	(8.6%)
Travel	\$245,701	\$458,440	\$373,142	(\$85,298)	(18.6%)
Operating Services	\$1,497,511	\$1,680,524	\$983,552	(\$696,972)	(41.5%)
Supplies	\$563,702	\$664,458	\$305,634	(\$358,824)	(54.0%)
Professional Services	\$228,454	\$914,127	\$914,127	\$0	0.0%
Other Charges	\$78,432,900	\$60,530,077	\$44,830,456	(\$15,699,621)	(25.9%)
Acq/Major Repairs	\$155,862	\$350,629	\$281,213	(\$69,416)	(19.8%)
Unallotted	\$0	\$0	\$0	\$0	0.0%
TOTAL EXP	\$111,576,228	\$102,214,004	\$79,991,651	(\$22,222,353)	(21.7%)

Salaries and Related Benefits

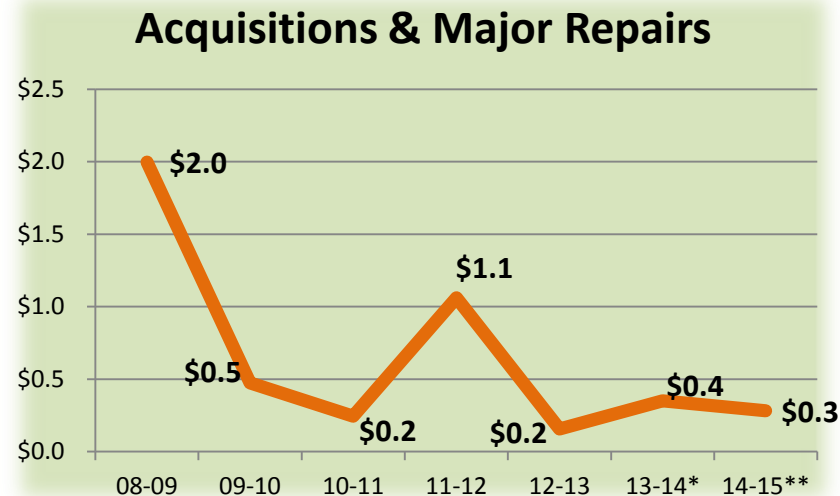
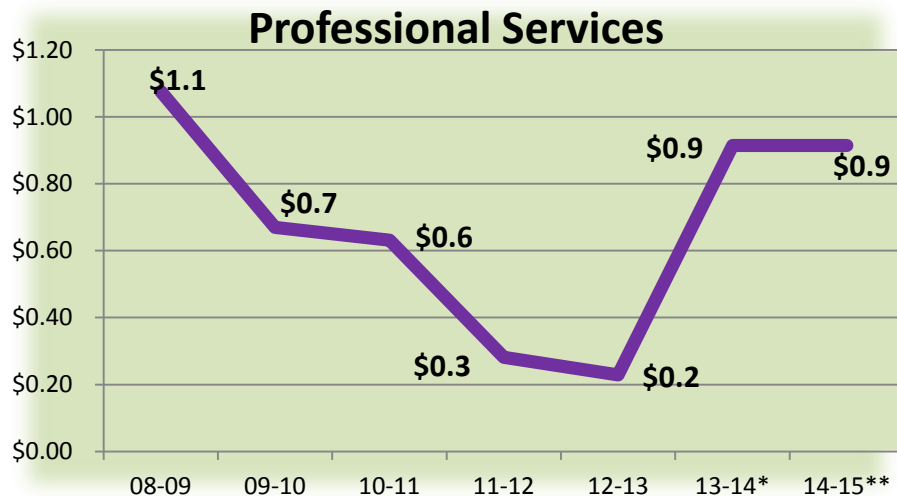
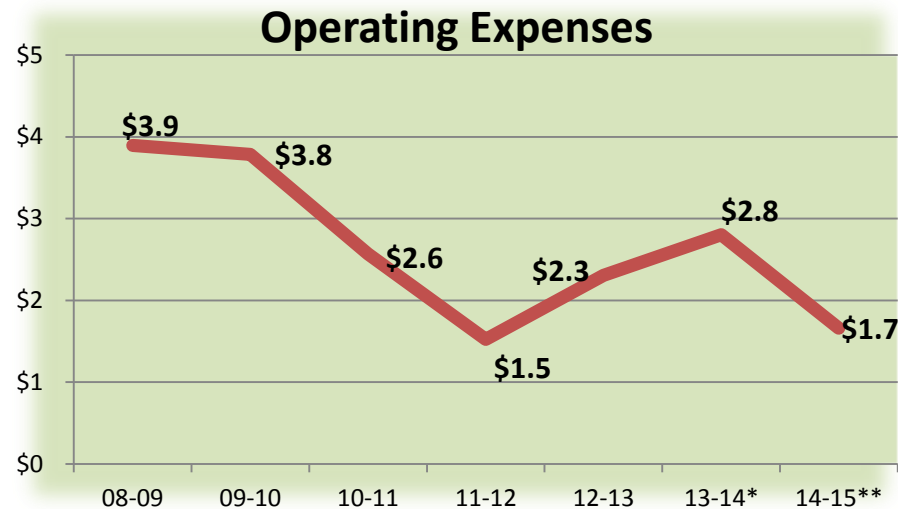
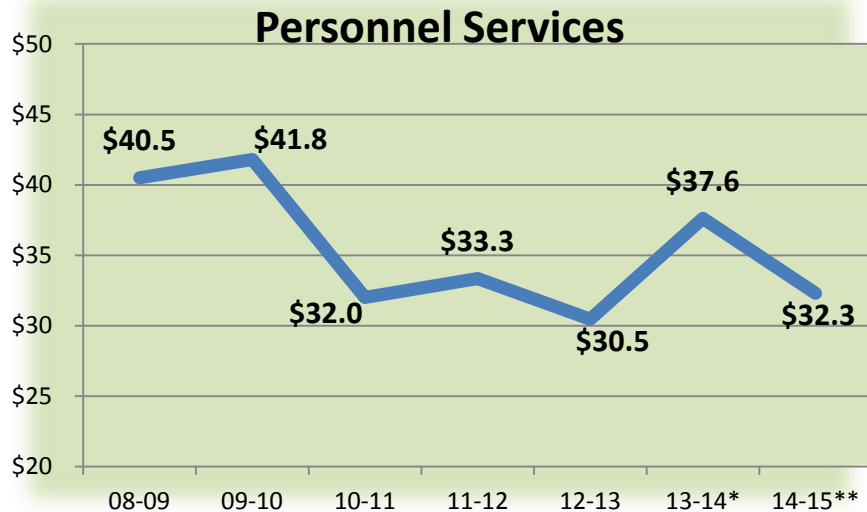
- Decreased due to elimination of 69 positions (55 to I.T. consolidation, 5 from the hiring freeze, and 9 vacancies).

Other Charges

- Decreased due to the end of a federal stimulus grant and settlement of a legal judgment in FY 13-14.

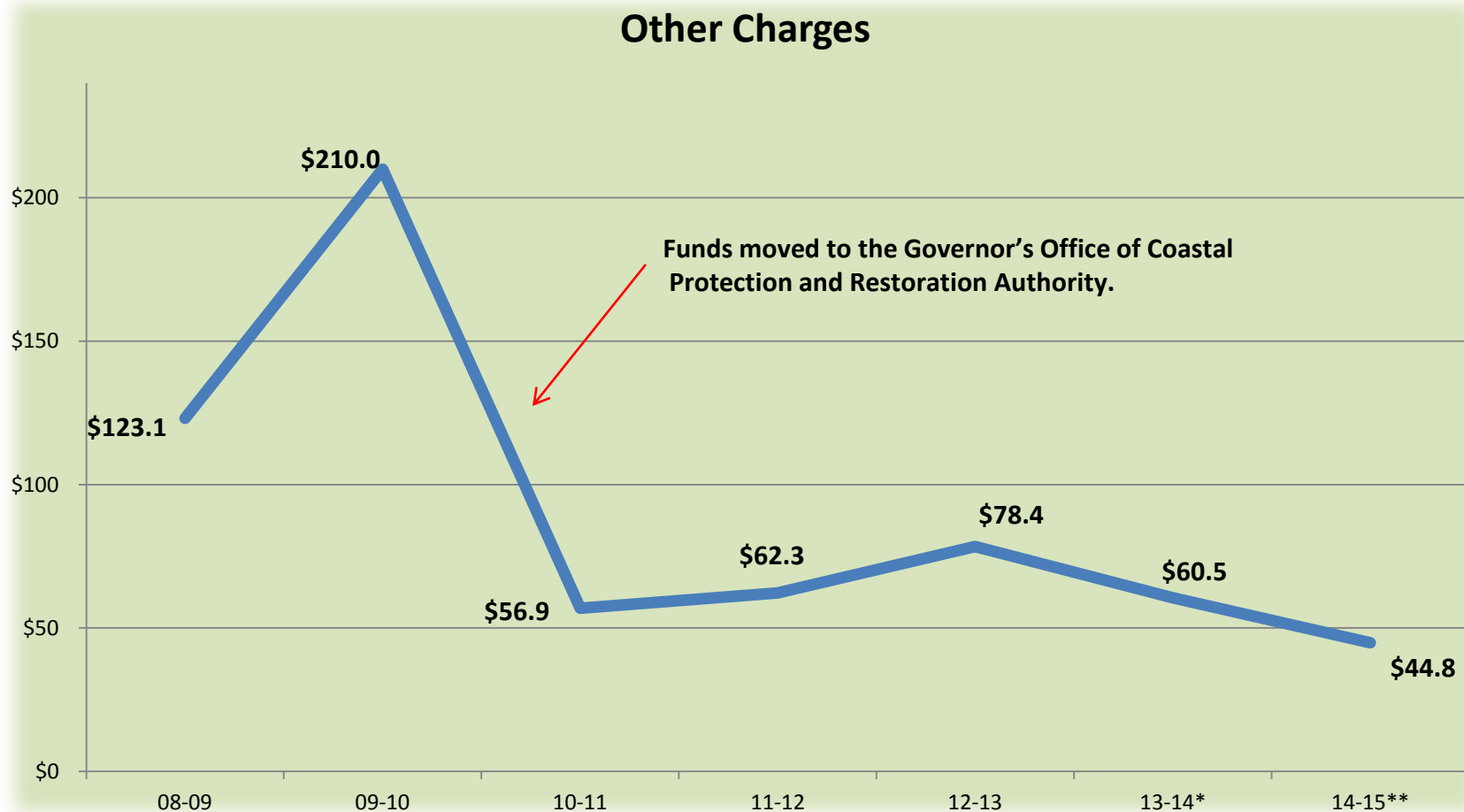


7-Year Expenditure History (in millions)





7-Year Expenditure History (in millions)



Source: Executive Budget Supporting Documents

*Existing Operating Budget as of 12/1/13

**Governor's Executive Budget Recommendation



Significant Adjustments

**-\$10 M
FED**



Reduces funding from the American Recovery and Reinvestment Act (ARRA) for stimulus funds which were used to provide for energy projects. The FY 13-14 budget includes \$10 million in ARRA funding, which is being used for the revolving loan program.

**-\$4.8 M
STAT
DED**



Reduces funding from the Oilfield Site Restoration Fund for oilfield site projects that should be completed in the current fiscal year.

**\$4.5 M
MOF SWAP
SGF
STAT DED**



Means of finance substitution increases State General Fund (\$4.5 million) and decreases Statutory Dedications from the Oil and Gas Regulatory Fund (\$2 million) and the Mineral and Energy Operations Fund (\$2.5 million). Substantial balances in these funds have been exhausted and revenues to the Mineral and Energy Operation Fund have shown a slight decline over the last two years.

**-\$4.1 M
STAT
DED**



Reduces funding from the Overcollections Fund that satisfied the judgment regarding royalties in the suit entitled "State of Louisiana ex rel Plaquemines School Board v. Louisiana Department of Natural Resources".



Statutory Dedications

STATUTORY DEDICATION	FY 13-14 EOB	ADJUSTMENT	FY 14-15 EXEC. BUDGET
Oil and Gas Regulatory Fund	\$10,333,486	(\$1,911,895)	\$8,421,591
Mineral and Energy Operation Fund	\$9,572,030	(\$2,422,930)	\$7,149,100
Oilfield Site Restoration Fund	\$10,863,698	(\$5,956,997)	\$4,906,701
Coastal Resources Trust Fund	\$1,156,075	(\$21,799)	\$1,134,276
Fisherman's Gear Compensation Fund	\$632,822	\$0	\$632,822
Underwater Obstruction Removal	\$429,459	(\$179,459)	\$250,000
Oil Spill Contingency Fund	\$175,763	(\$1,000)	\$174,763
Overcollections Fund	\$4,104,286	(\$4,104,286)	\$0
TOTAL	\$37,267,619	(\$14,598,366)	\$22,669,253

NOTE: All statutory dedication appropriations for the FY 14-15 Executive Budget are within the official forecast recognized by the Revenue Estimating Conference.



Statutory Dedications

Mineral and Energy Operation Fund (R.S. 30:136.3)

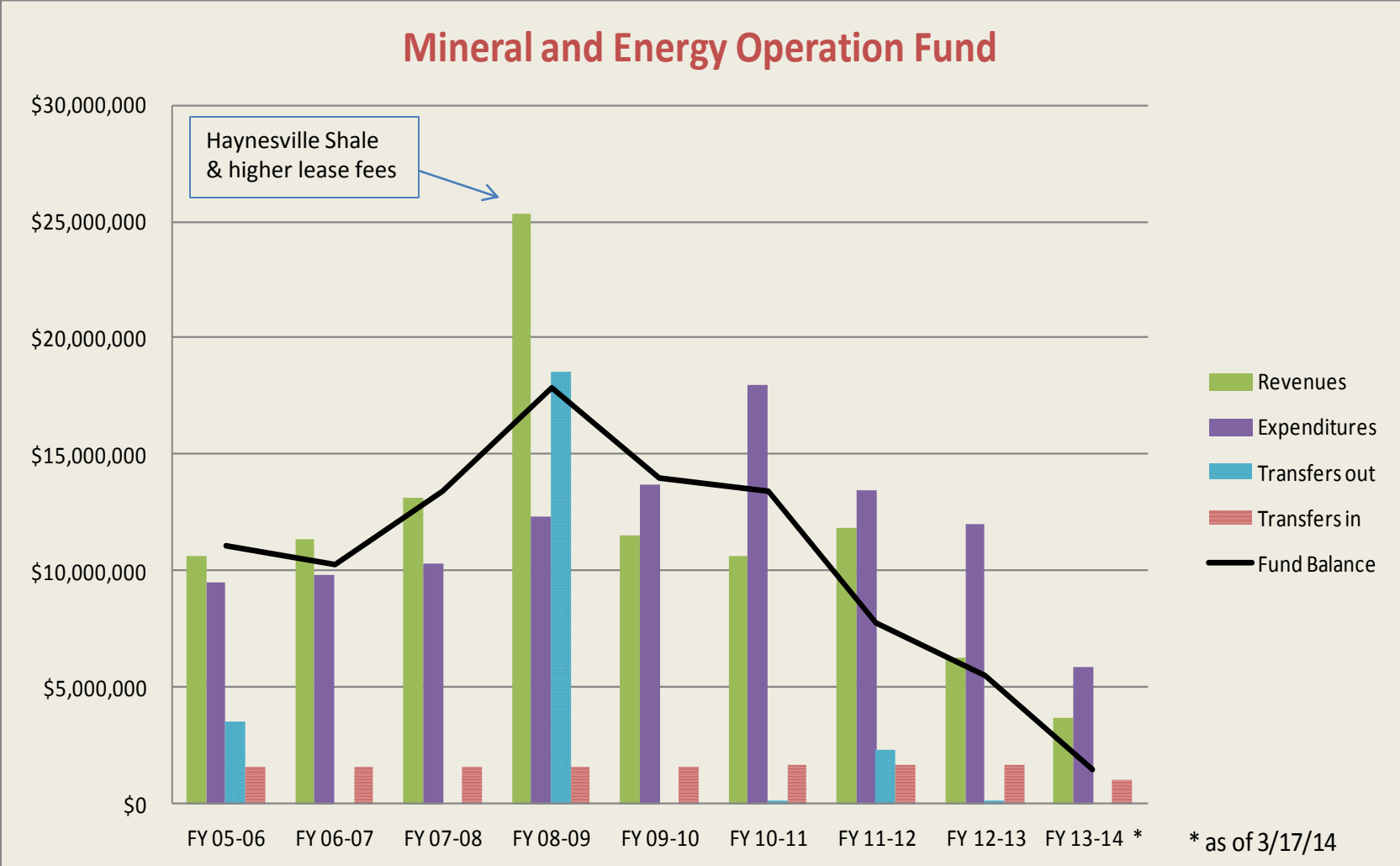
Provides for the administration of the regulation of minerals, ground water, and related energy activities within the state of Louisiana.

Sources of funding include:

- Payments for the sale of leases for the development and production of minerals, oil, gas, or alternative energy sources on any lands or water bottoms owned by the state. Revenues averaged \$9.3 million over the last three years.
- Deposits of \$1.6 million annually from court-awarded judgments associated with royalty income and income derived from issuance of seismic permits on state water bottoms.
- Fees to the Office of Mineral Resources from any person desiring a permit to conduct geophysical and geological surveys of any kind on state-owned lands, including water bottoms, shall submit an application in writing and submit a fee to the Office of Mineral Resources. Revenues averaged \$257,000 over the last three years.



Statutory Dedications





Statutory Dedications

Oil and Gas Regulatory Fund (R.S. 30:21(B)(2))

These funds are to be used solely by the Office of Conservation for the regulation of the oil and gas industry and any other industry under the jurisdiction of the office.

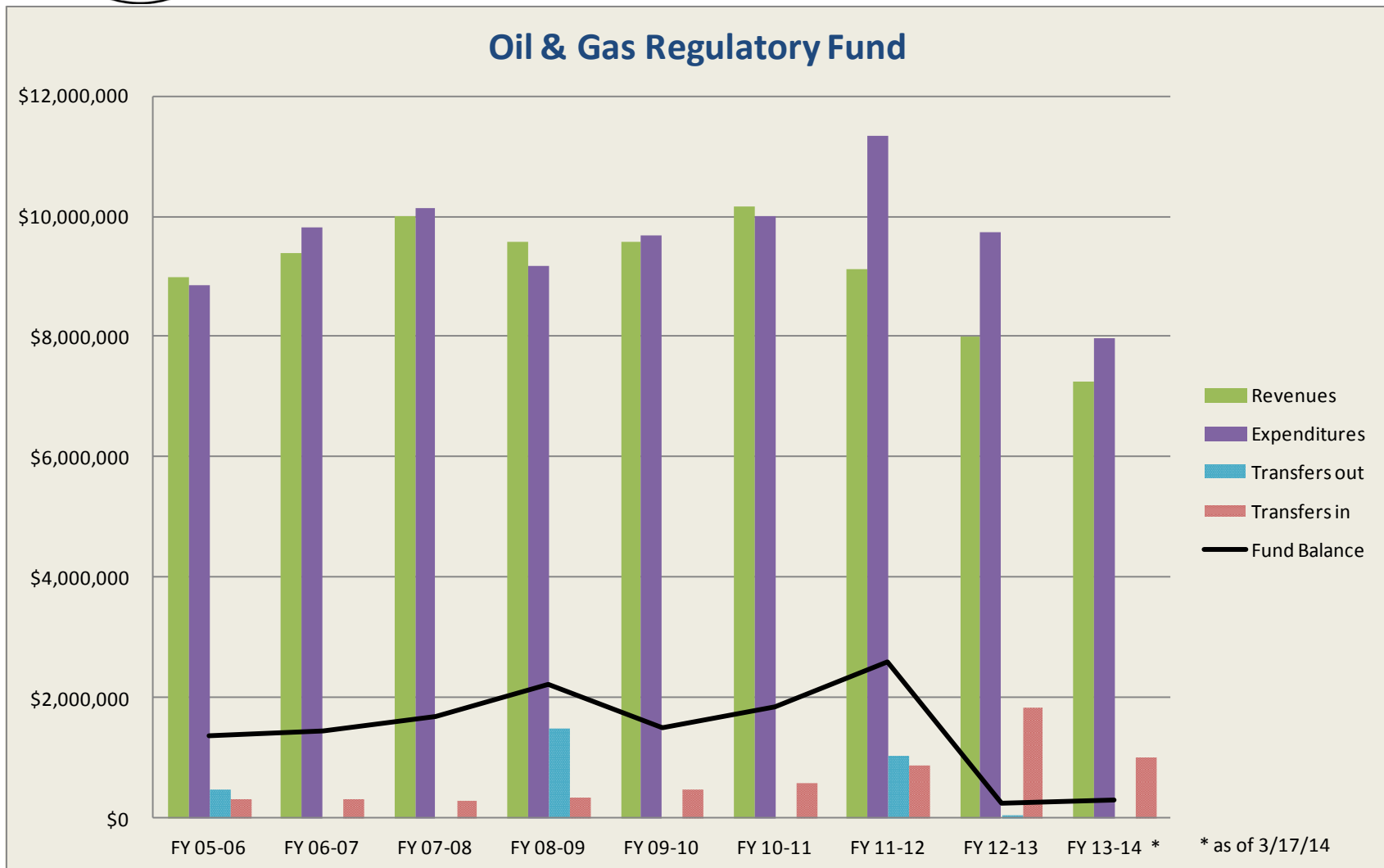
Funding is derived from regulatory and application fees from industry operators. Sources of funding are:

- Annual fees for Class I wells in an amount not to exceed \$400,000, and Class II wells and Class III wells, storage wells, Type A facilities and Type B facilities not to exceed \$875,000 in a given fiscal year, with certain restrictions on Class II wells.
- Annual fees based on a tiered system on capable oil and gas production, not to exceed \$2.4 million.
- Application fees payable into this fund by industries under the jurisdiction of the Office of Conservation.

Any monies remaining in the fund at the end of the fiscal year remain in the fund, including any interest or earnings.



Statutory Dedications





Discretionary/Nondiscretionary Funding in FY 14-15

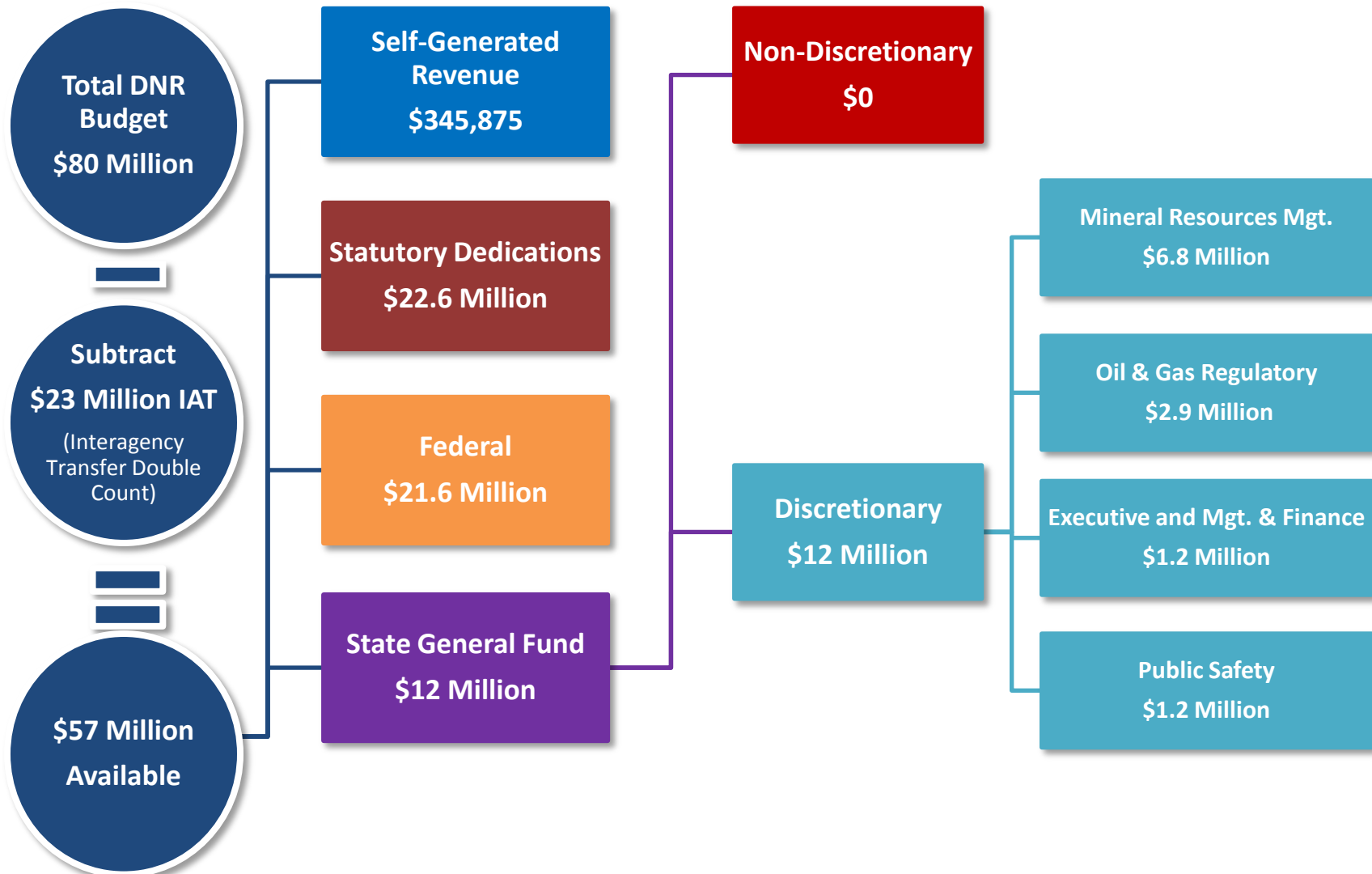
Executive Budget

<u>Activity/Program</u>	<u>TOTAL FUNDING</u> = \$79,991,651		<u>STATE GENERAL FUND</u> = \$12,090,198	
	Discretionary	Non-Discretionary	Discretionary	Non-Discretionary
<u>Executive</u>	\$6,142,594	\$41,276	\$375,642	\$0
<u>Management & Finance</u>	\$12,825,592	\$2,923,766	\$791,654	\$0
<u>Technology Assessment</u>	\$4,055,555	\$27,859	\$41,613	\$0
<u>Coastal Restoration</u>	\$7,314,586	\$146,230	\$0	\$0
<u>Oil & Gas Regulatory</u>	\$9,693,390	\$845,506	\$2,869,814	\$0
<u>Public Safety</u>	\$9,700,645	\$171,509	\$1,174,956	\$0
<u>Atchafalaya Basin Program</u>	\$239,186	\$16,453	\$0	\$0
<u>Mineral Resources</u>	\$11,618,587	\$492,065	\$6,836,519	\$0
<u>Auxiliary</u>	\$13,736,852	\$0	\$0	\$0
TOTAL	\$75,326,987	\$4,664,664	\$12,090,198	\$0

Note: The discretionary State General Fund in DNR's budget is less than 1% of the total discretionary State General Fund recommended for FY 14-15.



Discretionary/Nondiscretionary Funding in FY 14-15 Executive Budget





Salaries and Positions

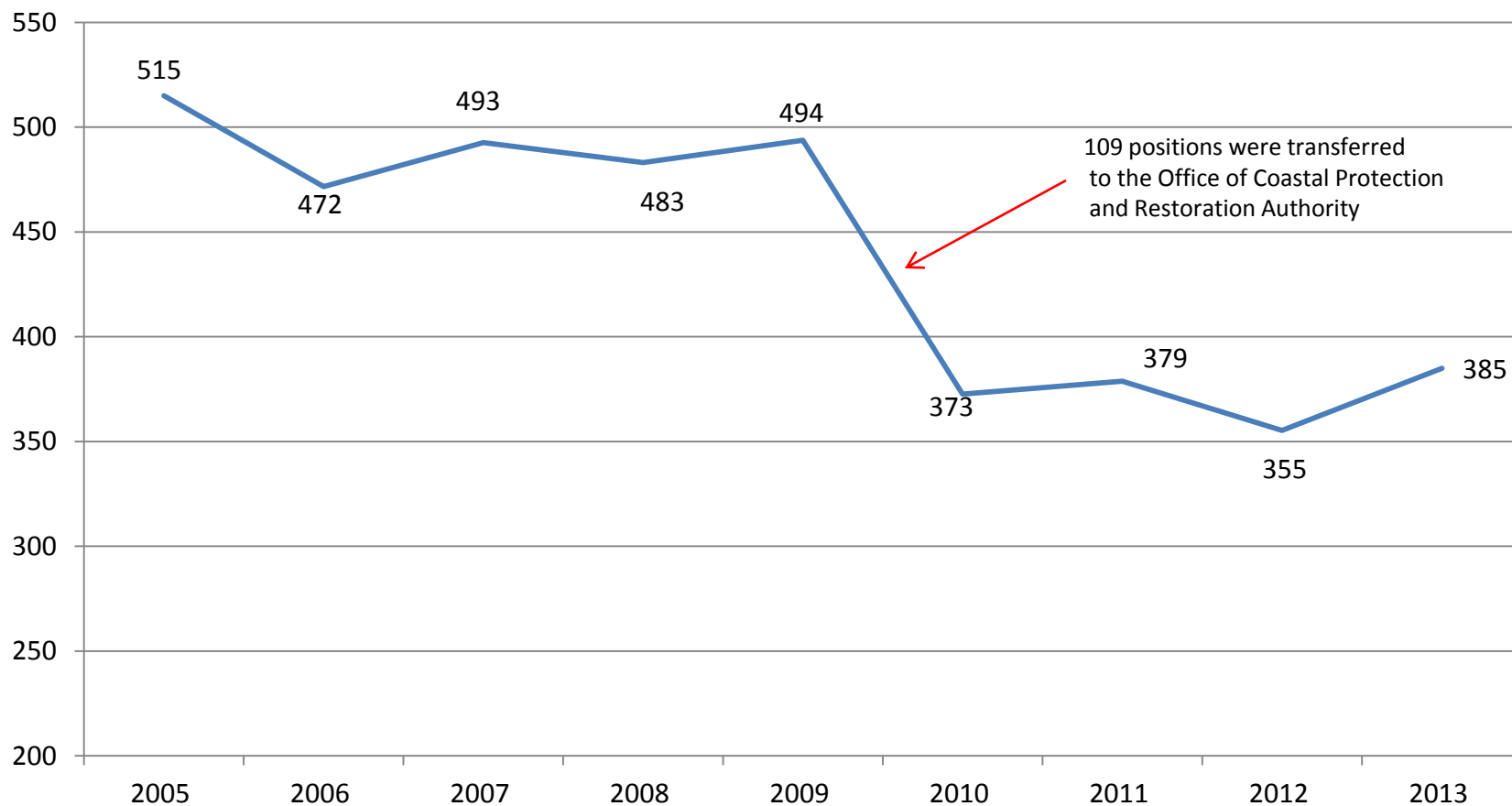
FY 14-15 SALARIES/POSITIONS

- \$21 million for Salaries and Other Compensation
- \$11 million for Related Benefits
- Total Personnel Services = \$32 million; 91% of the Natural Resources total Executive Budget Recommendation (excluding Other Charges)
- 342 Authorized Positions (334 classified and 8 unclassified)
- 2 full-time non-T.O. positions
- 0 Other Charges positions
- As of 12/27/2013, Natural Resources had 21 vacant positions. The Executive Budget eliminates 14 of these vacancies.



Salaries and Positions

TOTAL FULL-TIME EQUIVALENT (FTE) POSITIONS

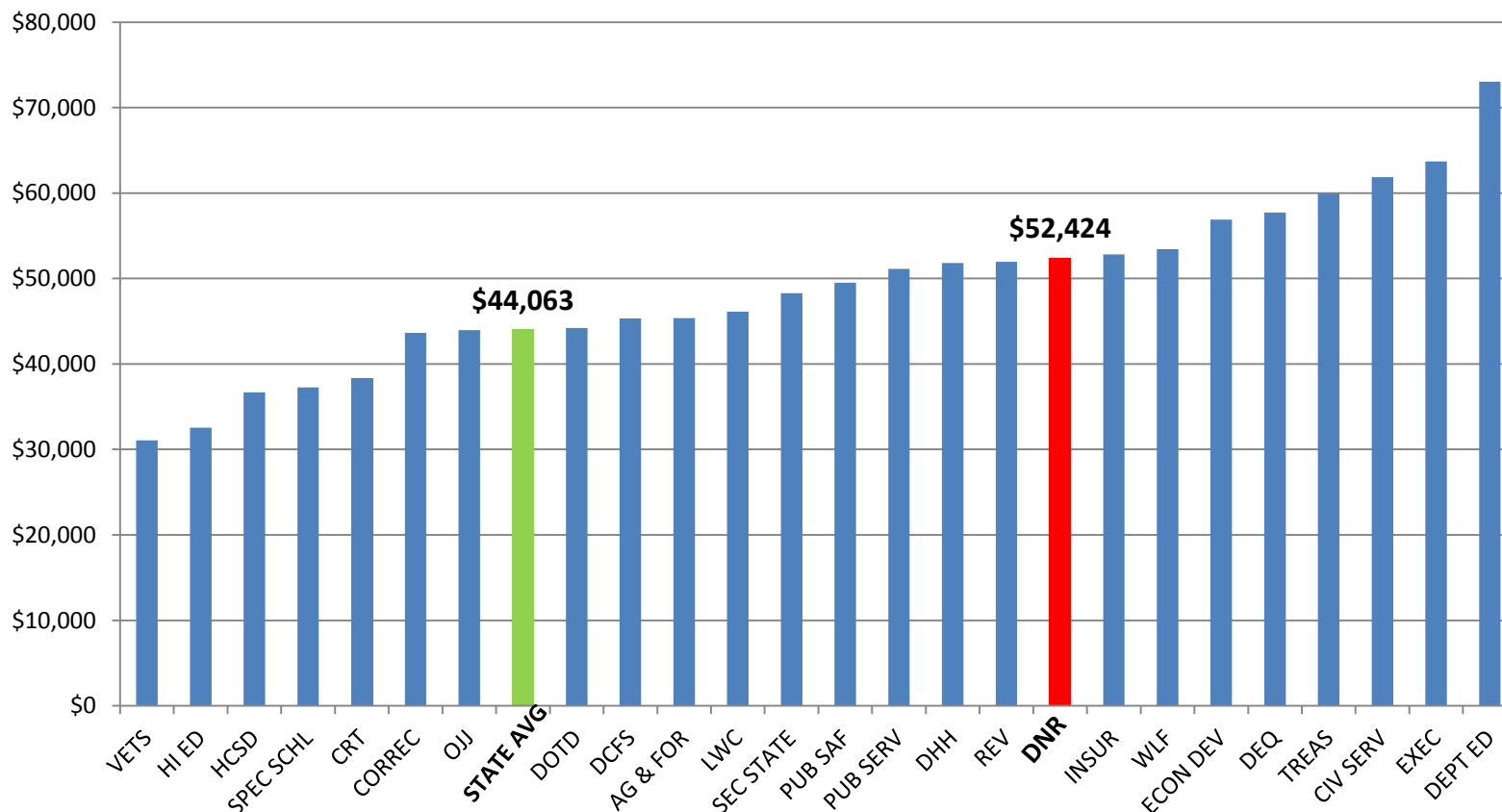


Source: Prepared by House Fiscal Division staff using information from ISIS-HR



Salaries and Positions

FY 13 CLASSIFIED AVERAGE ANNUAL PAY PER FTE

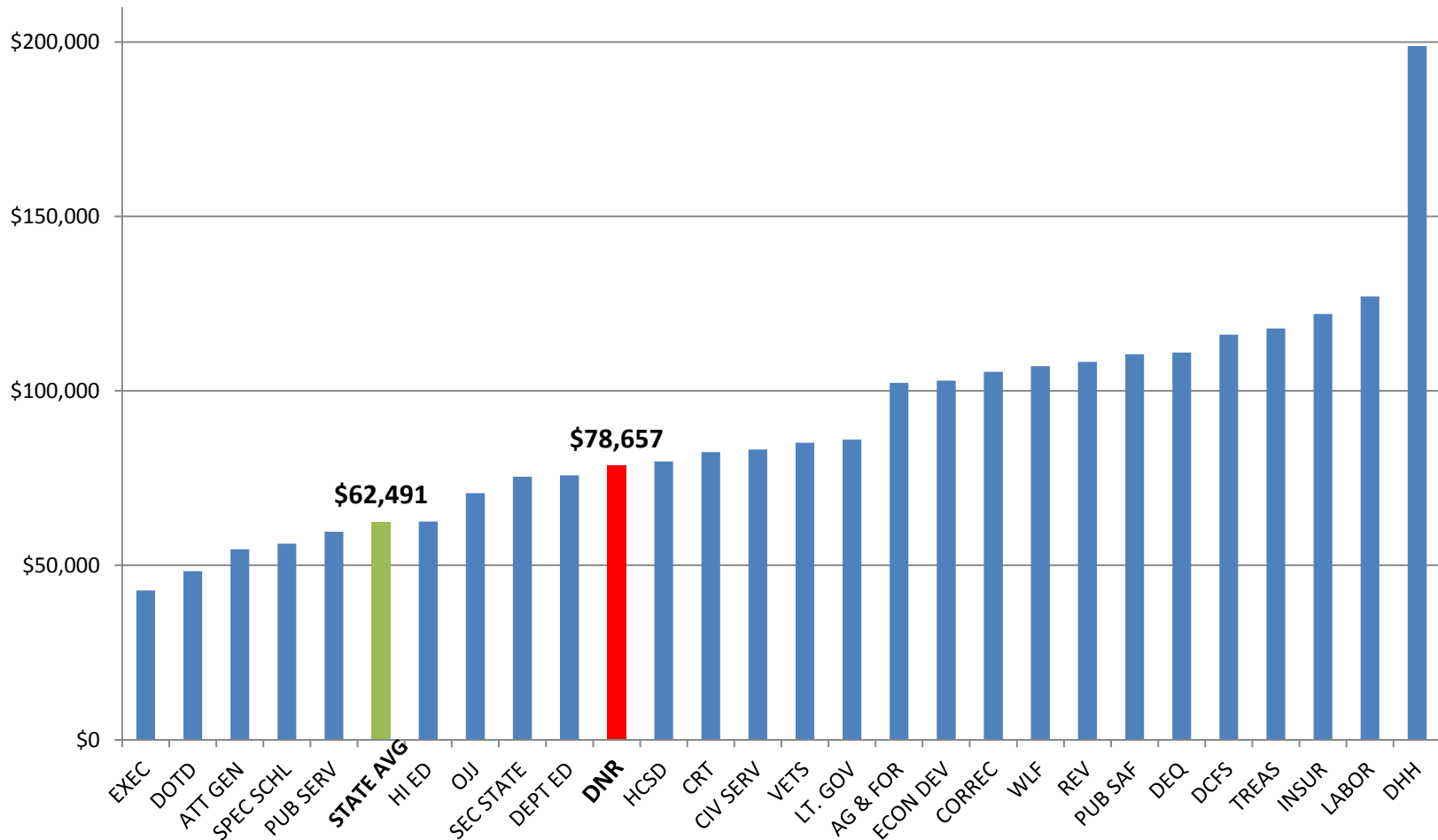


Source: Prepared by House Fiscal Division staff using information from ISIS-HR and Civil Service



Salaries and Positions

FY 13 UNCLASSIFIED AVERAGE ANNUAL PAY PER FTE



Source: Prepared by House Fiscal Division staff using information from ISIS-HR and Civil Service



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