

Representative Jim Fannin
Chairman



Representative Bryan Adams
Vice Chairman

FY 15-16 Executive Budget Review
DEPARTMENT OF NATURAL RESOURCES

House Committee on Appropriations
by the House Fiscal Division
April 1, 2015



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, except timber and 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 13-14 Actual Expenditures	FY 14-15 Existing Operating Budget (12/1/13)	FY 15-16 Executive Budget Recommendation	Change from FY 14-15 to FY 15-16	Percent Change from FY 14-15 to FY 15-16
State General Fund	\$7,321,457	\$12,095,265	\$8,251,107	(\$3,844,158)	(31.8%)
Interagency Transfers	\$19,540,371	\$23,582,579	\$18,726,573	(\$4,856,006)	(20.6%)
Fees and Self-Gen. Rev.	\$70,512	\$345,875	\$343,750	(\$2,125)	(0.6%)
Statutory Dedications	\$27,367,238	\$29,600,045	\$28,932,120	(\$667,925)	(2.3%)
Federal Funds	\$9,753,023	\$21,591,834	\$16,370,273	(\$5,221,561)	(24.2%)
TOTAL	\$64,052,601	\$87,215,598	\$72,623,823	(\$14,591,775)	(16.7%)
Authorized Positions	361	339	324	(15)	(4.4%)

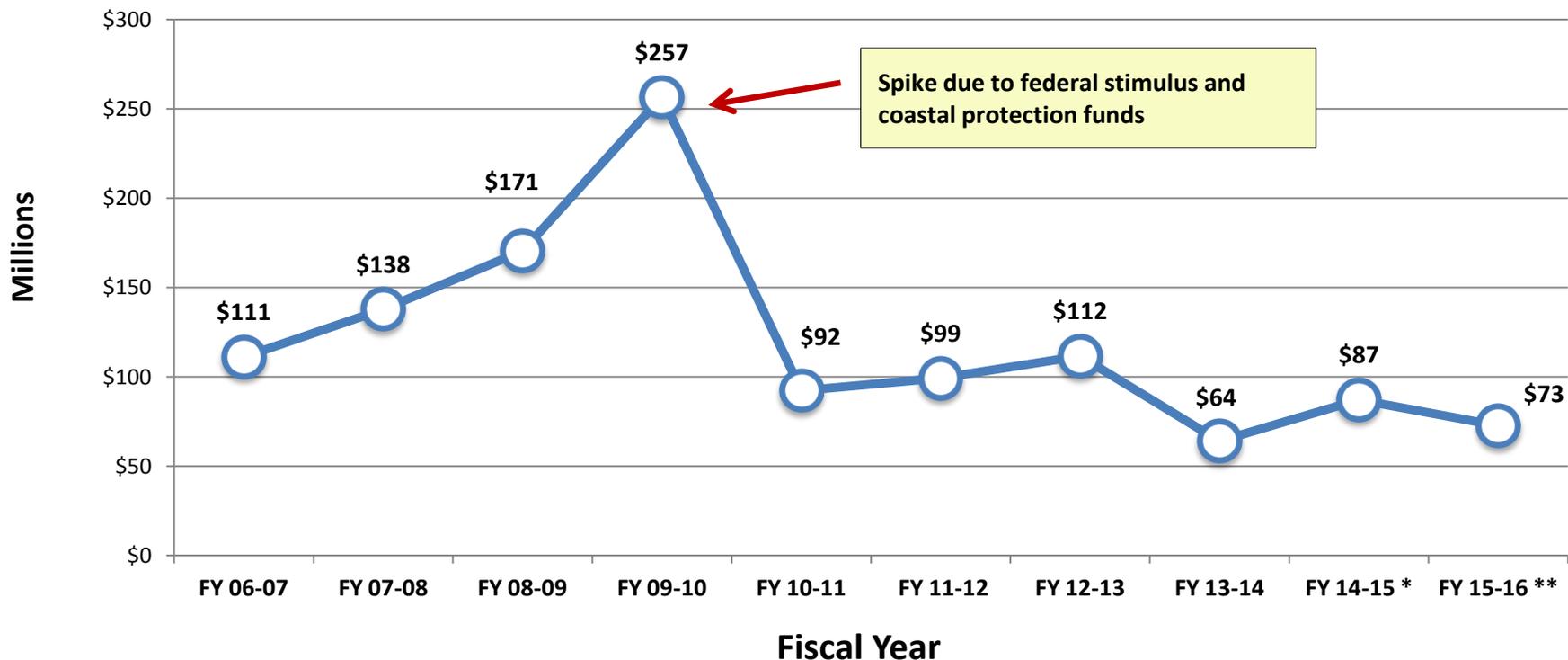
Significant Adjustments:

<p>State General Fund</p> <ul style="list-style-type: none"> Largest impact is from a MOF swap that decreases SGF and increases revenues from the Mineral Energy and Operation Fund. <p>(\$3.8M) ↓</p>	<p>Interagency Transfers</p> <ul style="list-style-type: none"> Decrease in transfers from DEQ and WLF from the consolidation of back-office functions, and non-recurs oil-spill funding from DPS. <p>(\$4.9M) ↓</p>	<p>Statutory Dedications</p> <ul style="list-style-type: none"> This net decrease is due to reductions of expenditure authority from the Oil Field Site Restoration Fund and Coastal Resources Trust Fund and an increase from the Mineral Energy Operation Fund. <p>(\$668K) ↓</p>	<p>Federal Funds</p> <ul style="list-style-type: none"> Reduction in excess federal budget authority that is typically not expended. <p>(\$5.2M) ↓</p>	<p>Authorized Positions</p> <ul style="list-style-type: none"> 15 positions reduced due to the transfer of positions to the Office of State Human Capital. <p>(15 T.O.) ↓</p>
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10-Year Budget History

DEPARTMENT OF NATURAL RESOURCES (Total Funding)



Source: Executive Budget Supporting Documents

*Existing Operating Budget as of 12/1/14

**Governor's Executive Budget Recommendation



Major Sources of Revenue FY 15-16

Interagency Transfers - \$19 million

- \$10.9 million transferred within DNR agencies
- \$5.5 million from Coastal Protection and Restoration Authority
- \$2.7 million from the Depts. of Wildlife and Fisheries & Environmental Quality

Statutory Dedications - \$29 million

- \$9.2 million from Mineral & Energy Operation Fund
- \$8.5 million from the Oil & Gas Regulatory Fund
- \$8.4 million from the Oil Site Restoration Fund
- \$1.7 million from the Coastal Resources Trust Fund

Federal Funds - \$16 million

- \$12 million from Federal energy settlement funds
- \$2.5 million Coastal Zone Management Grant from the National Oceanic and Atmospheric Administration



Expenditure Breakdown

Expenditures	FY 13-14 Actual Expenditures	FY 14-15 Existing Operating Budget (12/1/14)	FY 15-16 Executive Budget Recommendation	Change from FY 14-15 to FY 15-16	Percent Change from FY 14-15 to FY 15-16
Salaries	\$23,060,070	\$20,827,775	\$18,800,093	(\$2,027,682)	(9.7%)
Other Compensation	\$277,028	\$337,440	\$277,440	(\$60,000)	(17.8%)
Related Benefits	\$10,665,732	\$10,856,432	\$10,520,099	(\$336,333)	(3.1%)
Travel	\$253,352	\$420,772	\$314,491	(\$106,281)	(25.3%)
Operating Services	\$1,379,724	\$1,216,251	\$1,175,903	(\$40,348)	(3.3%)
Supplies	\$514,872	\$670,935	\$527,926	(\$143,009)	(21.3%)
Professional Services	\$181,256	\$1,089,127	\$528,765	(\$560,362)	(51.5%)
Other Charges	\$27,532,933	\$51,505,394	\$40,457,463	(\$11,047,931)	(21.5%)
Acq/Major Repairs	\$187,634	\$291,472	\$21,643	(\$269,829)	(92.6%)
Unallotted	\$0	\$0	\$0	\$0	0.0%
TOTAL EXP	\$64,052,601	\$87,215,598	\$72,623,823	(\$14,591,775)	(16.7%)

Salaries and Related Benefits

- Decreased due to normal statewide adjustments for attrition, retirement, and health insurance and due to the transfer of 15 positions to the Office of State Human Capital.

Other Charges

- Decreased due to the reduction of excess federal budget authority that is typically not expended and the reversal of the recent consolidation of back office functions of DEQ and WLF into DNR. These functions and associated funding will now go to DOA.



8-Year Expenditure History (in millions)

Personnel Services



Operating Expenses



Professional Services



Acquisitions & Major Repairs



Source: Executive Budget Supporting Documents

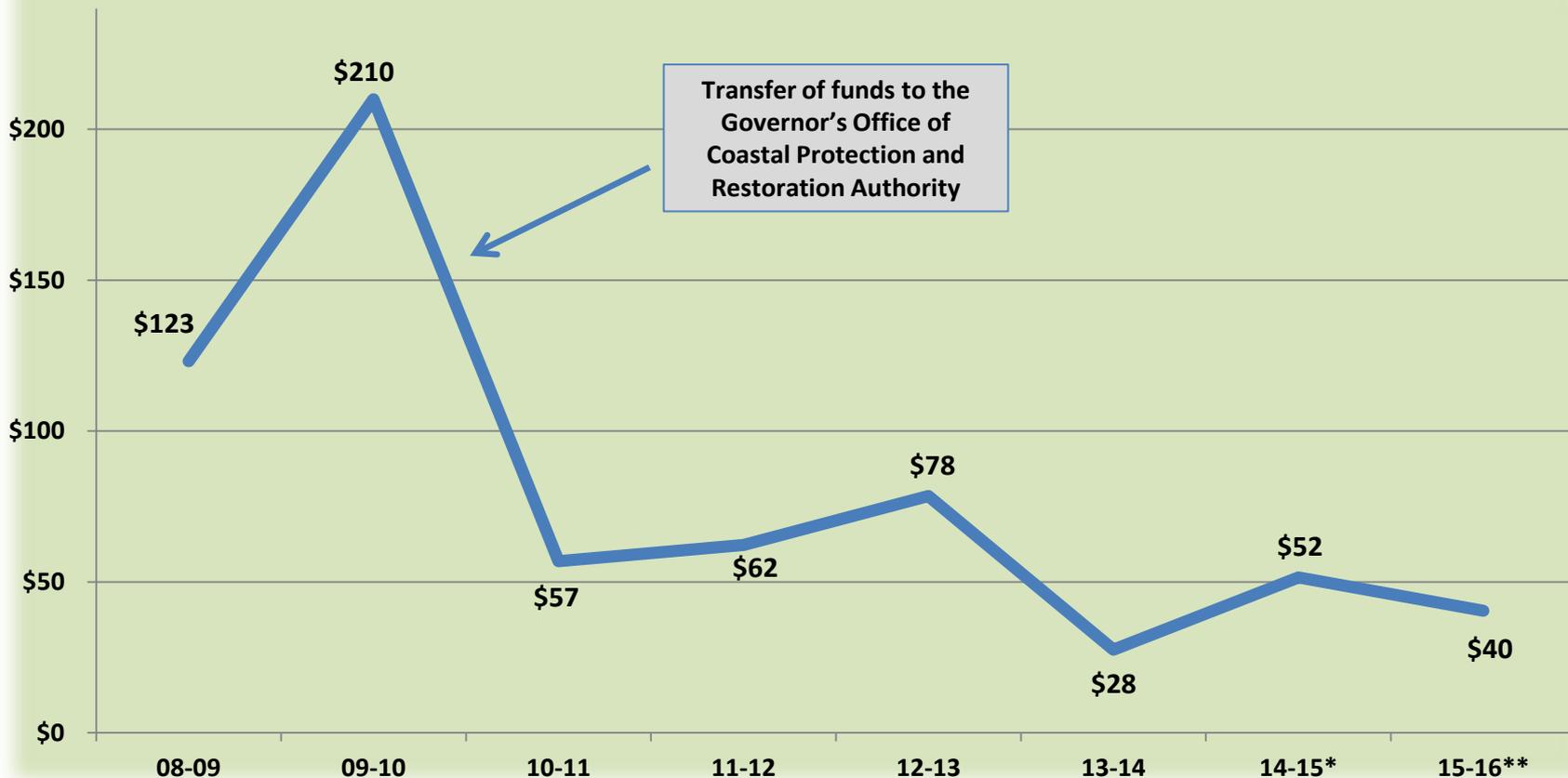
*Existing Operating Budget as of 12/1/14

**Governor's Executive Budget Recommendation



8-Year Expenditure History (in millions)

Other Charges



Source: Executive Budget Supporting Documents

*Existing Operating Budget as of 12/1/14

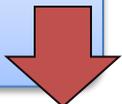
**Governor's Executive Budget Recommendation



Significant Adjustments

(\$5.9 M)

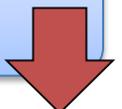
FED



Reduces federal budget authority in the Auxiliary Program to better align the budget with 3 year average of actual expenditures.

(\$3.3 M)

IAT



Reduces interagency transfer budget authority from the Department of Wildlife and Fisheries and the Department of Environmental Quality for funds that are being received in the current year for consolidation of back-office functions, and also non-recurs funding from the Department of Public Safety for oil-spill related expenditures.

\$2.1 M

MOF SWAP

STAT DED

& SGF

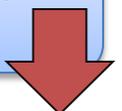


Means of finance substitution that replaces State General Fund with Statutory Dedications from the Mineral and Energy Operation Fund to maximize the use of other means of financing. (-\$2.1M SGF and \$2.1M STAT DED)

(\$842 K)

Various

MOF



Reduces funding from multiple sources in expenditure categories such as Other Compensation, Supplies, Travel, Professional Services, and Other Charges to better align these expenditures to a 3-year average of prior actuals. (-\$400,000 SGF, -\$80,000 IAT, -\$307,500 STAT DED, and -\$55,000 FED)



Statutory Dedications

STATUTORY DEDICATION	FY 14-15 EOB	ADJUSTMENT	FY 15-16 EXEC. BUDGET
Mineral and Energy Operation Fund	\$7,147,838	\$2,120,825	\$9,268,663
Oil and Gas Regulatory Fund	\$8,417,408	\$66,374	\$8,483,782
Oilfield Site Restoration Fund	\$10,848,992	(\$2,445,749)	\$8,403,243
Coastal Resources Trust Fund	\$2,128,222	(\$411,169)	\$1,717,053
Fisherman's Gear Compensation Fund	\$632,822	\$0	\$632,822
Underwater Obstruction Removal	\$250,000	\$0	\$250,000
Oil Spill Contingency Fund	\$174,763	\$1,794	\$176,557
TOTAL	\$29,600,045	(\$667,925)	\$28,932,120

NOTE: All statutory dedication appropriations for the FY 15-16 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.

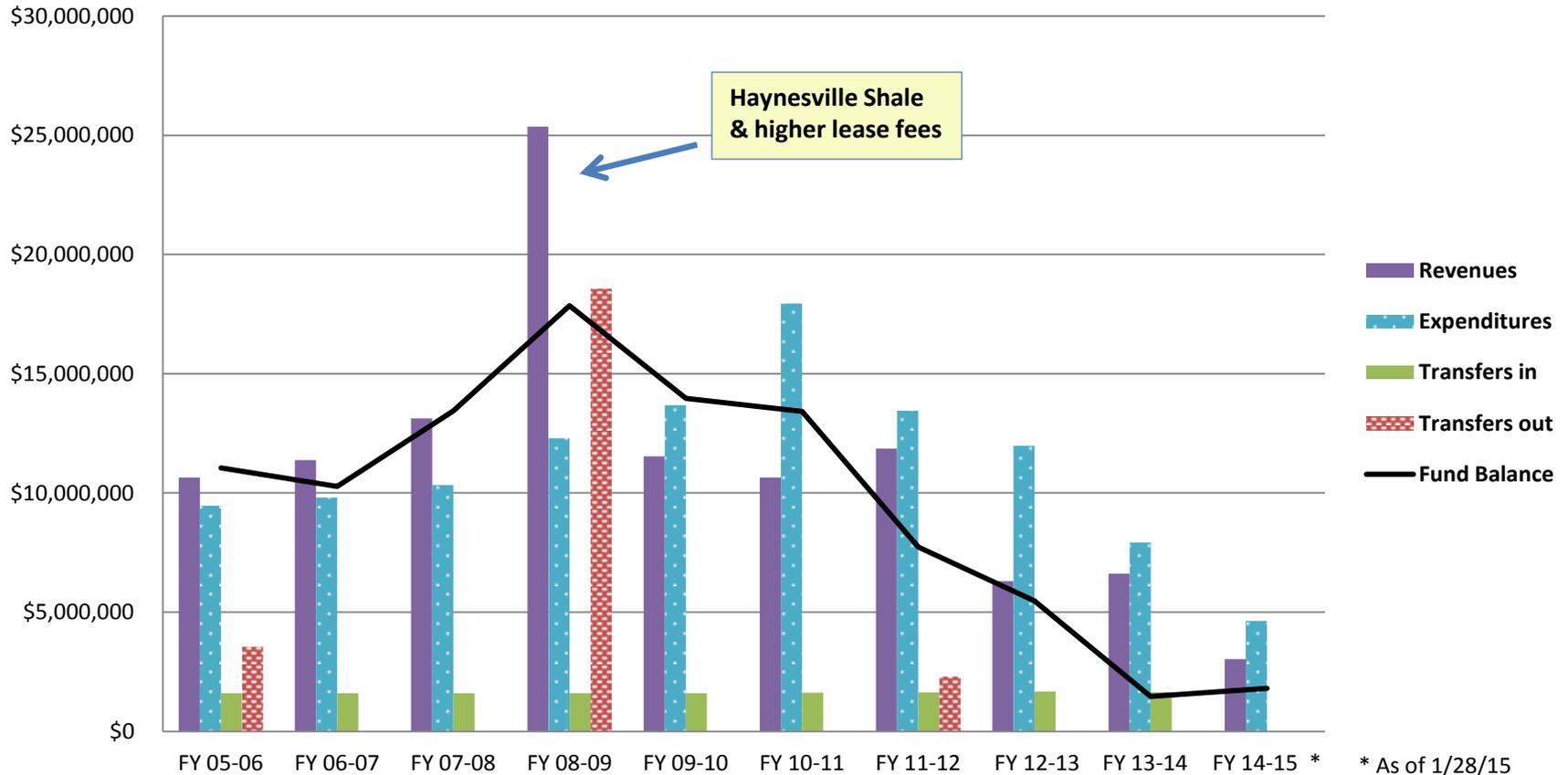
Sources of funding include:

- 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 \$9.4 million over the last five 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

Mineral and Energy Operation Fund





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:

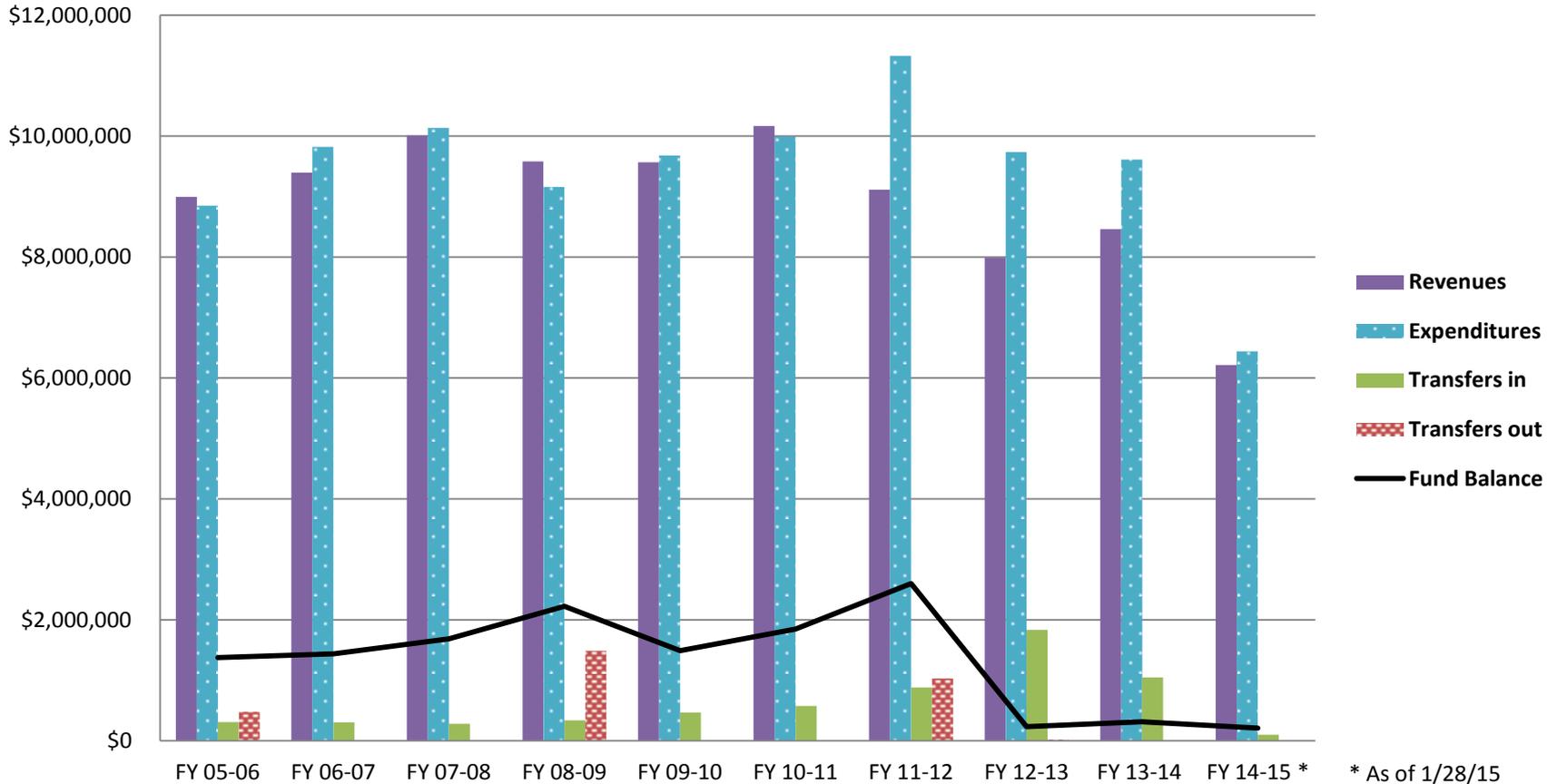
- Annual fees for Class I wells in an amount not to exceed \$400,000, and Class II wells and Class III wells, storage wells, Type A facilities and Type B facilities not to exceed \$875,000 in a given fiscal year, with certain restrictions on Class II wells.
- Annual fees based on a tiered system on capable 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

Oil & Gas Regulatory Fund





Statutory Dedications

Oilfield Site Restoration Fund (R.S. 30:86)

These funds are to be used by the Office of Conservation to plug and restore orphaned oil and gas wells to their approximate pre-wellsite conditions.

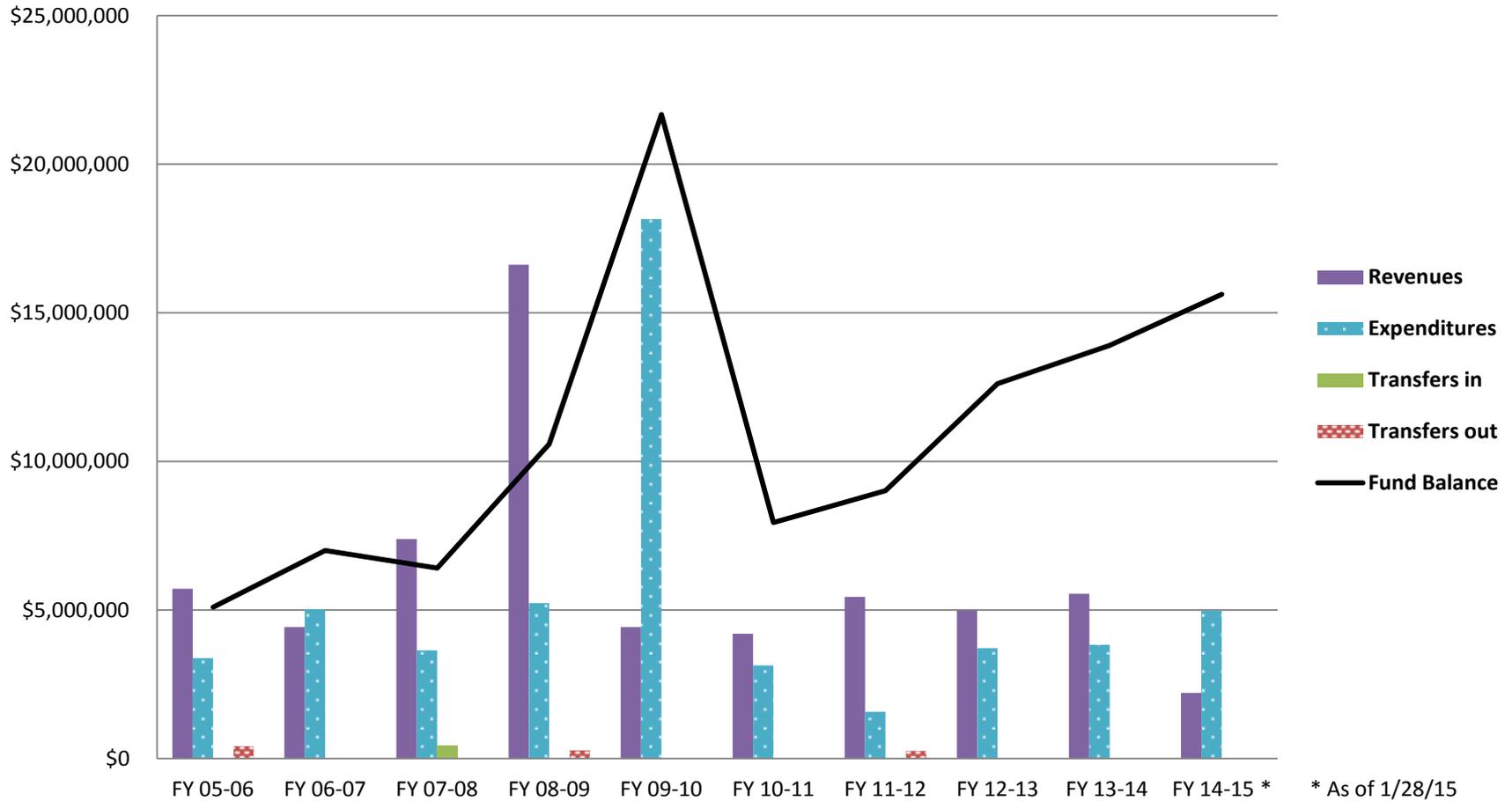
Funding is derived from:

- Those fees and penalties collected pursuant to R.S. 30:87
- Private contributions
- Interest earned on the funds deposited in the fund
- Civil penalties or costs recovered from responsible parties for oilfield site restoration pursuant to R.S. 30:93 and 94
- Any grants, donations, and sums allocated from any source, public or private



Statutory Dedications

Oilfield Site Restoration Fund





Orphaned Well Inspections

Top 5 Parishes with Orphaned Wells:

Caddo 1,040

Ouachita 254

Calcasieu 153

Morehouse 142

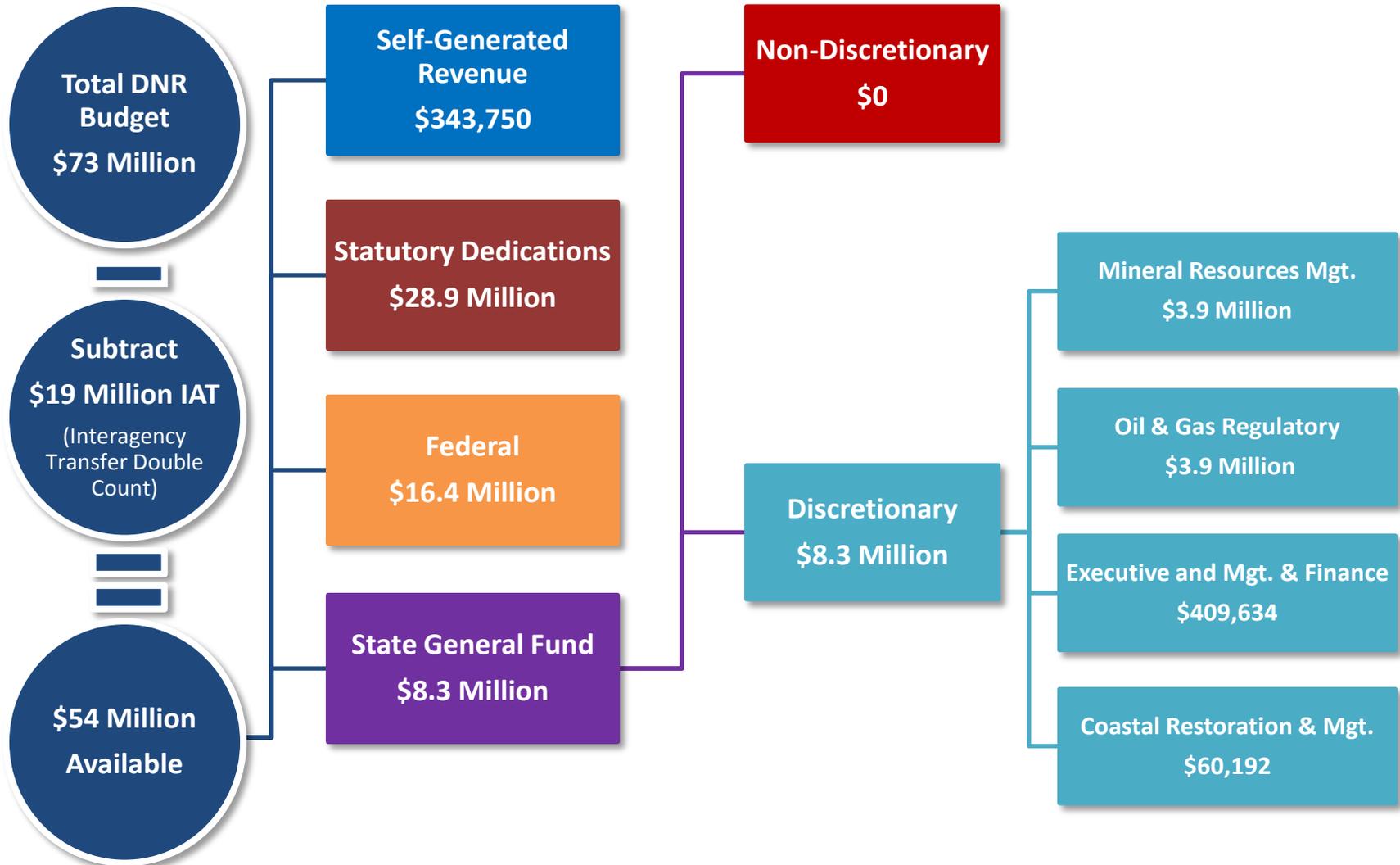
Bossier 103



Image source: Strategic Online Natural Resources Information System (SONRIS) Captured March 24, 2015



Discretionary/Non-Discretionary Funding in FY 15-16 Executive Budget





Salaries and Positions

FY 15-16 SALARIES/POSITIONS

- \$19 million for Salaries and Other Compensation
- \$11 million for Related Benefits
- Total Personnel Services = \$30 million; 92% of the Natural Resources total Executive Budget Recommendation (excluding Other Charges)

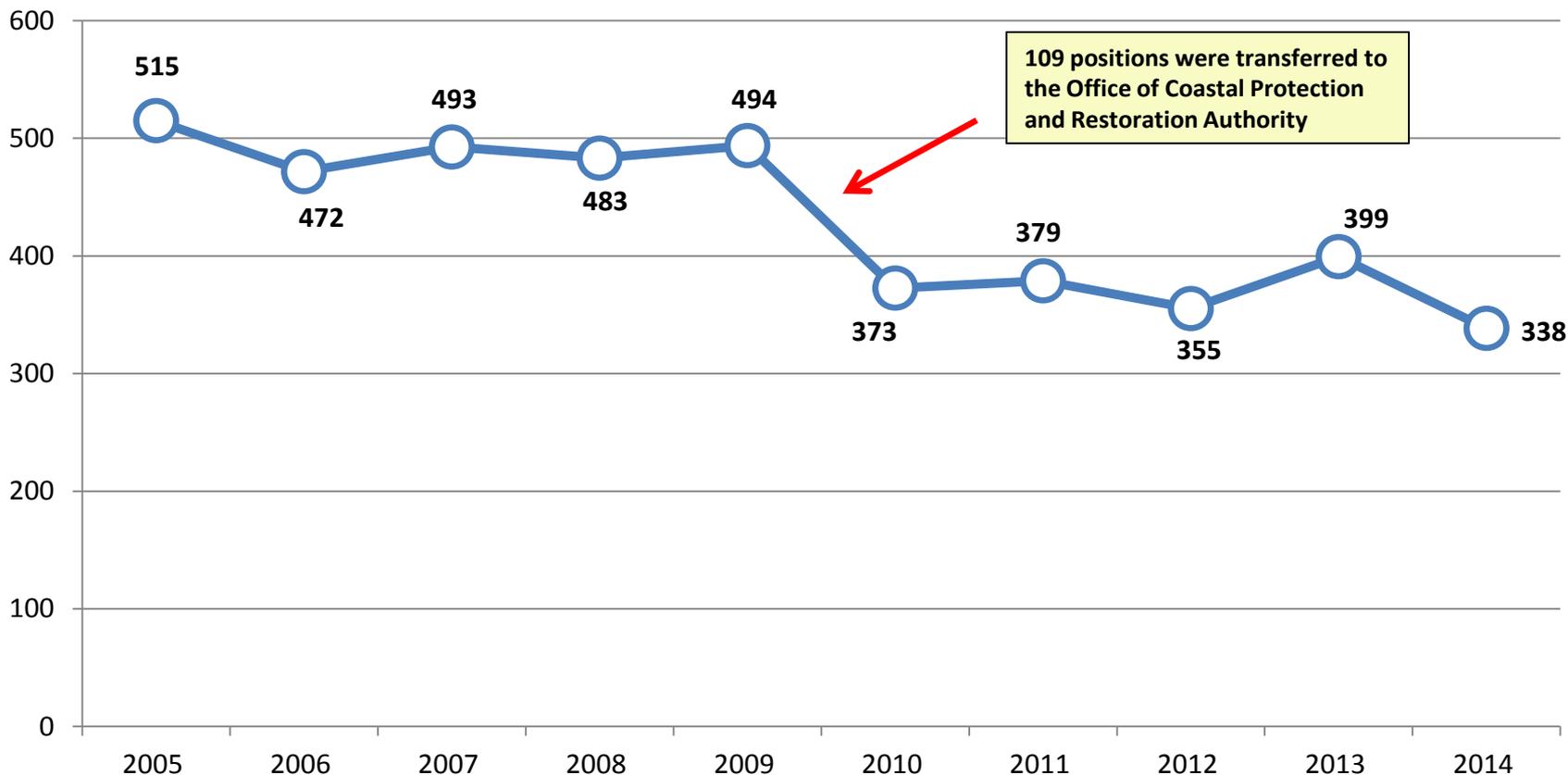
- 324 Authorized Positions (316 classified and 8 unclassified)
- 2 full-time non-T.O. positions
- 0 Other Charges positions

- As of 1/30/2015, Natural Resources had 3 vacant positions. The Executive Budget did not eliminate any of these vacancies.



Salaries and Positions

TOTAL FULL-TIME EQUIVALENT (FTE) POSITIONS

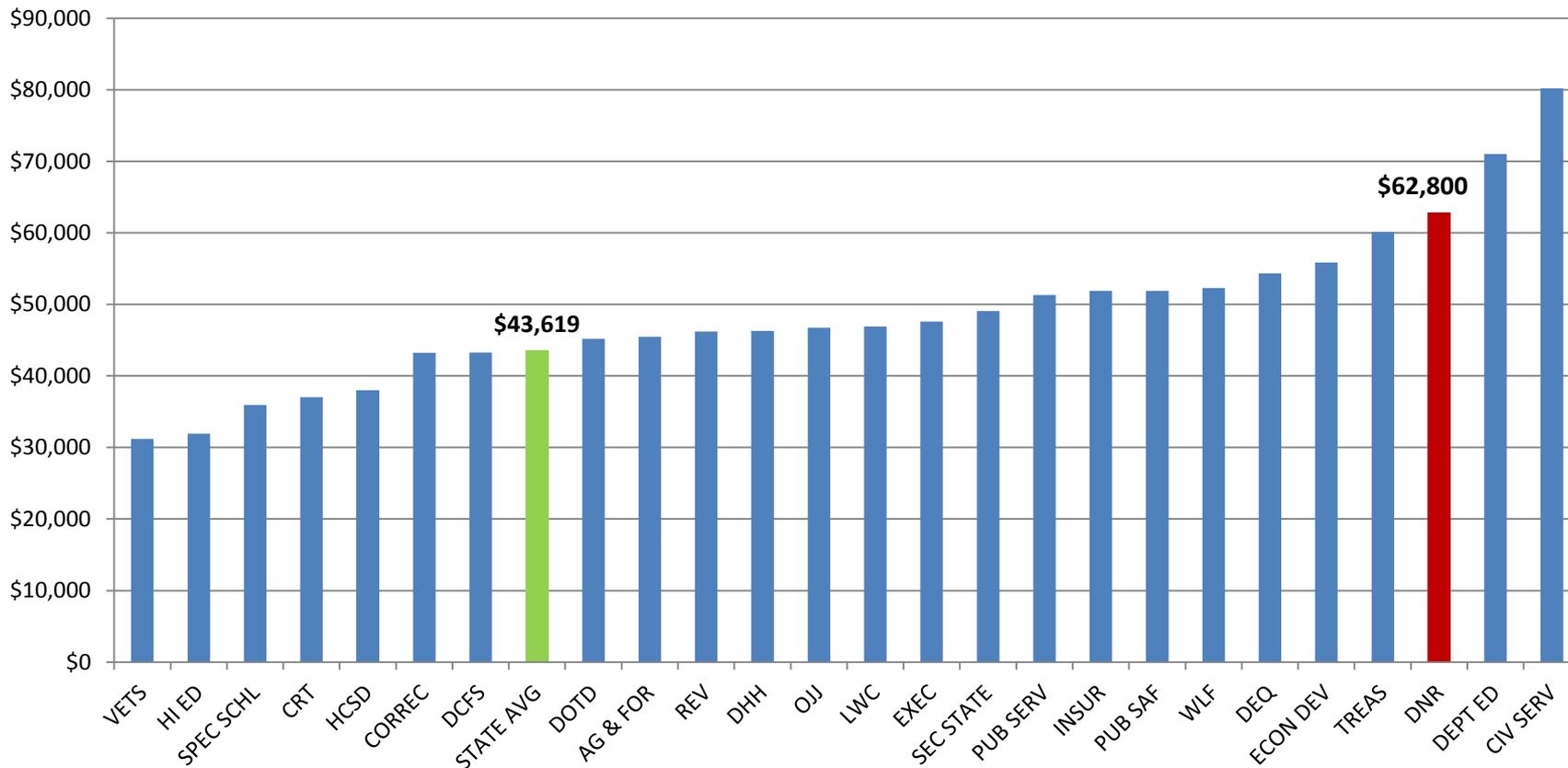


Source: Prepared by House Fiscal Division staff using information from ISIS-HR



Salaries and Positions

FY 14 CLASSIFIED AVERAGE ANNUAL PAY PER FTE

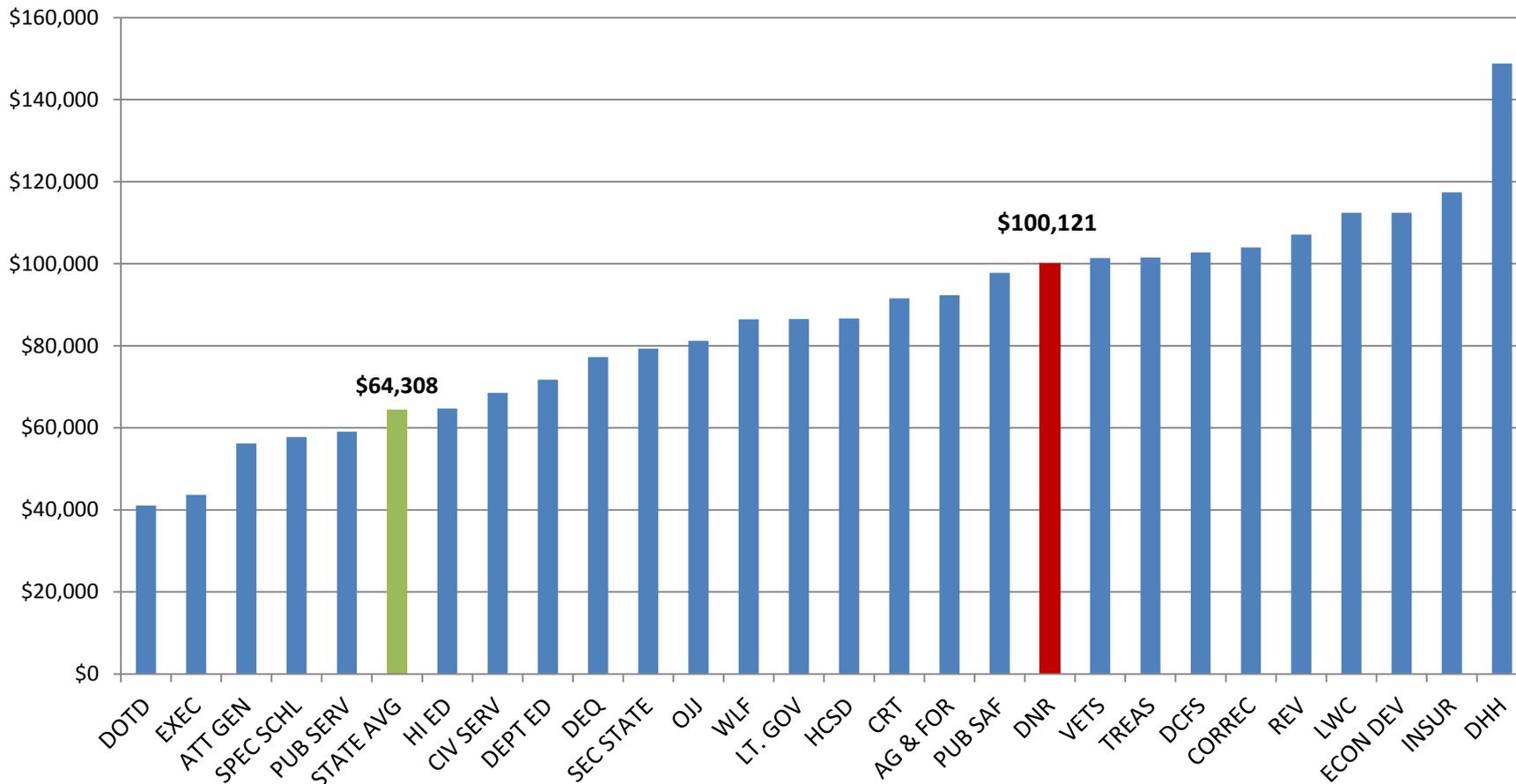


Source: Prepared by House Fiscal Division staff using information from ISIS-HR and Civil Service



Salaries and Positions

FY 14 UNCLASSIFIED AVERAGE ANNUAL PAY PER FTE



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



Department Contacts



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