

Representative Cameron Henry  
Chairman



Representative Franklin Foil  
Vice Chairman

# **FY16-17 Executive Budget Review**

## **DEPARTMENT OF NATURAL RESOURCES**

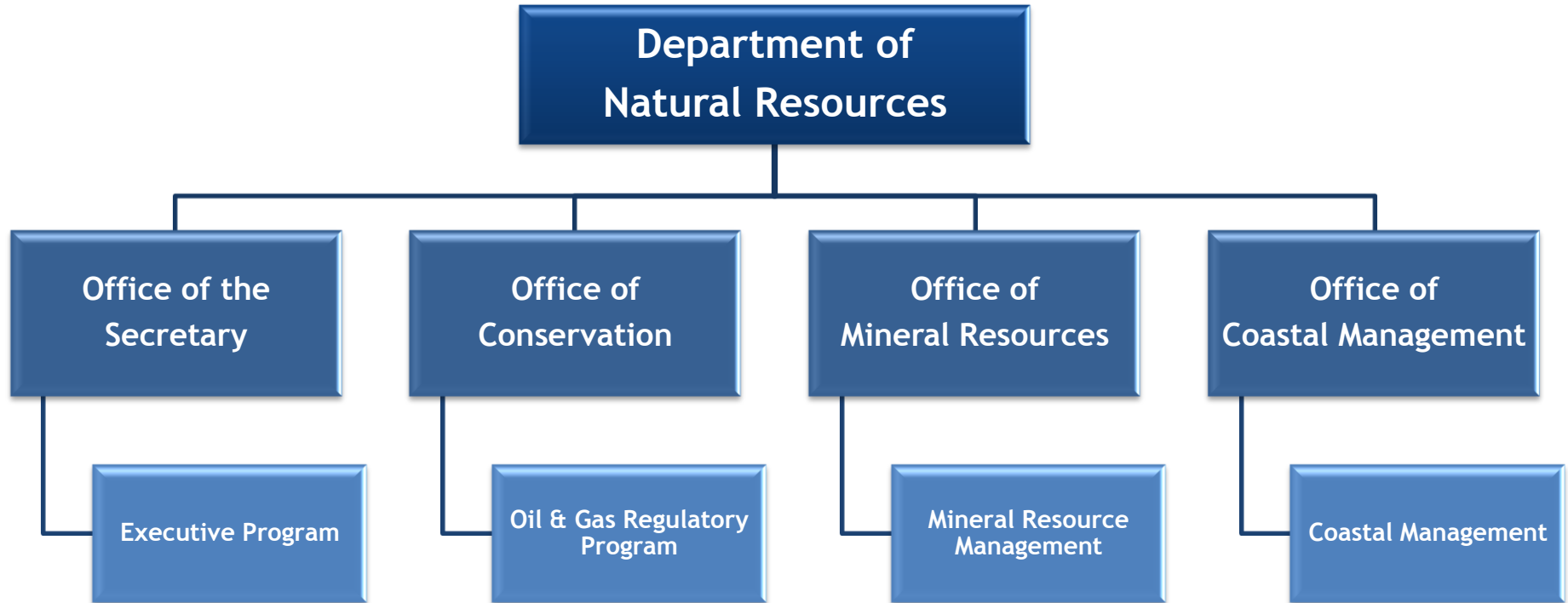
**House Committee on Appropriations**  
by the House Fiscal Division

March 29, 2016

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# DEPARTMENT ORGANIZATION



# DEPARTMENT FUNCTIONS

## Office of the Secretary

### Administration

- Executive Management office of the department overseeing policy, administration, and operations.
- Executive Counsel is responsible for legislative matters, special projects, and advising the Secretary.
- Budget and Finance.

### Technology Assessment Division

- Analyzes and investigates diverse subjects and issue areas related to energy and natural resources.
- Publish data on Louisiana energy development and production.
- Forecast state oil and gas production, depletion and revenue, including long and short term reserves.
- State Energy Office
  - Advises on energy use, efficiency, supply, and alternatives.
  - U.S. Department of Energy point of contact.

### Atchafalaya Basin Program

- To conserve and restore, where possible, the natural habitat of the Atchafalaya Basin and offer enhanced opportunities for the public's enjoyment of the Atchafalaya Basin experience.
- Administers the Atchafalaya Basin Master Plan which includes 4 goals:
    - Promote public access by purchasing land acreage in the Basin.
    - Preservation of fish and wildlife habitat and prevention of development that would interfere with floodway use.
    - Managing water by managing sediments and achieving a healthy water circulation that will maintain or restore water quality.
    - Promote recreation at water resource projects.

# DEPARTMENT FUNCTIONS

## Office of Conservation

### Engineering - Administrative Division

- Responsible for the prevention of waste of oil and gas underground, in storage, or in transportation.
- Responsible for the protection of property rights of all persons related to oil and gas exploration in Louisiana.
- Process various drilling and well permits.
- Manages the storage, filing, and dissemination of well records, hearing transcripts, well test information, and historical production information.
- Audits various producer reports that pertain to severance tax and mineral royalty collection.

### Engineering - Regulatory Division

- Inspects oil and gas wells and facilities to ensure compliance.
- District offices in Lafayette, Shreveport, and Monroe.
- Oilfield Site Restoration Program
  - Plugs abandoned orphan wells and restores the associated surface locations through competitive bid contracting.
- Obstruction Removal Program
  - Verify and remove natural and manmade underwater obstructions which pose an impediment to normal navigation and commercial fishing.

### Environmental Division

- Implements the Groundwater Management Program.
  - Identifies areas of ground water concern, addresses ground water emergencies, and establishes best practices and policies for the State's ground water resources.
- Exploration & Production (E&P) Waste Management Section regulates commercial E&P waste storage, treatment, and disposal facilities.

# DEPARTMENT FUNCTIONS

## Office of Conservation

### Geological Oil and Gas Division

- Orders Management
  - Prepares and reviews Office of Conservation Orders.
- Unitization and Digital Mapping
  - Oversees Digital Mapping/GIS support as well as other computer mapping, graphics, and database management.
  - Houses historical maps.
  - Manages access to SONRIS database.
- Customer Assistance and Well Log Management
  - Assists constituents with Log Files and Map Room checkout along with general oil and gas related information.
  - Ensures that digital logs submitted are tracked and stored securely.

### Injection and Mining Division

- Underground Injection Control System
  - Administers a regulatory and permit program to protect underground sources of drinking water from hazardous and non-hazardous fluids through deep well injection and other oilfield waste disposal techniques.
- Surface Mining Section
  - Regulates the exploration, development, and surface mining operations for coal and lignite.
  - Abandoned Mine Lands Program identifies and reclaims abandoned surface coal mines.

### Pipeline Division

- Pipeline Safety Program
  - Regulates intrastate pipeline operators by conducting pipeline operator inspections, compliance and enforcement, safety programs, accident investigations, and record maintenance and reporting.
- Pipeline Operations Program
  - Regulates the construction, acquisition, abandonment and interconnection of natural gas pipelines.

# DEPARTMENT FUNCTIONS

## Office of Mineral Resources

### State Mineral and Energy Board

- Administers the state's proprietary interest in minerals.
- The exclusive body with the authority to lease for development and production of minerals, oil, and gas, any lands belonging to the State.
- Authorized to explore and develop state lands and water bottoms:
  - conduct geological and geophysical surveys.
  - equip, drill, and operate wells or mines for the production of minerals.
  - construct, operate, and maintain facilities for saving, transporting, and marketing mineral production.

### Petroleum Lands Division

- Performs the mineral leasing function on behalf of the State Mineral & Energy Board.
- Maintains state mineral lease ownership and property data.
- Manages the docket of items submitted for Board consideration at its monthly meetings.
- Maintains the official state mineral lease files.

### Mineral Income Division

- Performs collection and accounting of revenue due the state from mineral leasing activity and production on state-owned lands and water bottoms on behalf of the State Mineral & Energy Board.
- Performs on-site field audits of payor companies and with auditors based in Houston, Dallas, and Baton Rouge.
- Auditors also perform field audits of Federal leases within the 8(g) offshore area.

# DEPARTMENT FUNCTIONS

## Office of Coastal Management

Office of Coastal Management is charged with implementing the Louisiana Coastal Resources Program (LCRP), Louisiana's federally approved coastal zone management program.

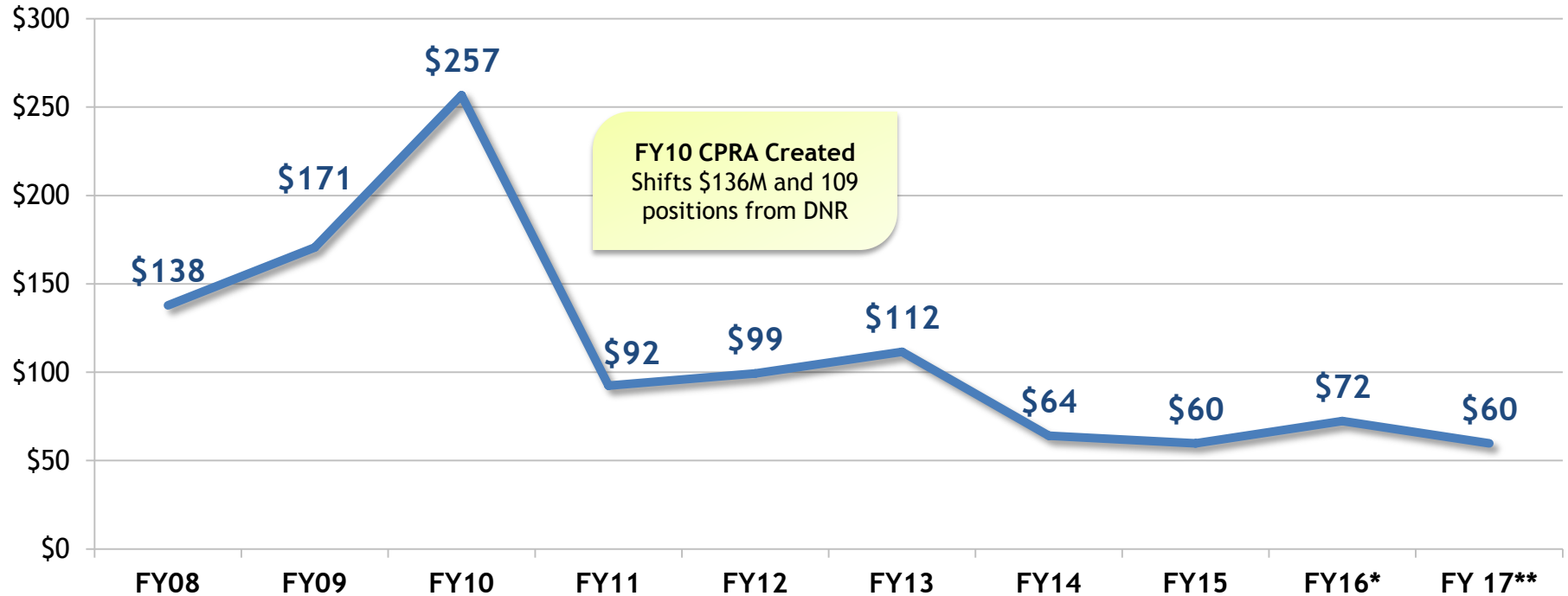
### Permits & Mitigation Division

- Regulates development activities and manages the resources of the Coastal Zone.
- Coastal Use Permit is required for certain projects in the Coastal Zone.
  - dredge and fill work
  - bulkhead construction
  - shoreline maintenance
- The purpose of the Coastal Use Permit process is to make certain that any activity affecting the Coastal Zone is performed in accordance with established guidelines.

### Interagency Affairs & Field Services Division

- Ensures compliance with the LCRP is reached via enforcement and federal consistency.
- Provides the Permits/Mitigation Division with field reports on Coastal Use Permits.
- Supports coastal Parishes in implementing approved Local Coastal Programs.
- Serves as a State trustee for natural resource damage assessment for oil spills.
- Manages the Fisherman's Gear Compensation Program to compensate commercial fisherman for losses to equipment and vessels resulting from hitting underwater obstructions.

# BUDGET HISTORY (IN MILLIONS)



Source: Executive Budget Supporting Documents

\*Existing Operating Budget as of 12/1/15  
\*\* Governor's Executive Budget Recommendation FY16-17

# MAJOR SOURCES OF REVENUE

## Statutory Dedications \$27.5 Million

Oil & Gas Regulatory Fund	\$12,537,894
Mineral and Energy Operation Fund	\$6,778,099
Oilfield Site Restoration Fund	\$4,515,897
Coastal Resources Trust Fund	\$2,643,794
Fisherman's Gear Compensation Fund	\$601,181
Underwater Obstruction Removal Fund	\$250,000
Oil Spill Contingency Fund	\$184,349

## Federal Funds \$14.5 Billion

- **\$7.3 million** in the Office of the Secretary from Federal Energy Settlement programs used for the State Energy Conservation Program, Energy Extension Service, Institutional Conservation Program, Weatherization Assistance Program, or Low Income Home Energy Assistance Program.

## Interagency Transfers \$14.4 Million

- IAT in DNR is primarily authority for internal transfers between the Office of the Secretary, Office of Conservation, and Office of Coastal Management.
- External IAT originates from the Department of Wildlife and Fisheries and the Office of Coastal Protection and Restoration.

# STATUTORY DEDICATIONS

Dedication	Type	Fund Source	Fund Use
Oil Spill Contingency Fund	Constitutional	Judgments, penalties, federal funds, fees levied on oil transporting vessels	Office of Coastal Management
Oilfield Site Restoration Fund	Constitutional	Fees on oil and natural gas producing wells	Oilfield Site Restoration Program
Oil & Gas Regulatory Fund	Statutory	Various regulatory fees charged on oil and gas wells by the Office of Conservation	Oil & Gas Regulatory Program
Mineral and Energy Operation Fund	Statutory	Royalties from lease sales, judgments and settlements	Mineral Resource Management Program
Coastal Resources Trust Fund	Statutory	Fees on coastal use permit applications	Coastal Resources Program
Fisherman's Gear Compensation Fund	Statutory	Fees on mineral leases	Fisherman's Gear Compensation Program
Underwater Obstruction Removal Fund	Statutory	Appropriations, grants, donations, \$250,000 annual deposit from Fisherman's Gear Fund	Underwater Obstruction Removal Program

# MEANS OF FINANCE BREAKDOWN

Means of Financing	FY 14-15 Prior Year Actual Expenditures	FY 15-16 Existing Operating Budget	FY 16-17 Executive Budget Recommendation	\$ Change from Existing	% Change from Existing
State General Fund	\$11,344,882	\$8,003,574	\$3,068,685	(\$4,934,889)	(61.7%)
Interagency Transfers	\$16,074,009	\$18,799,573	\$14,358,783	(\$4,440,790)	(23.6%)
Fees and Self-Gen Rev.	\$101,884	\$343,750	\$343,889	\$139	0.0%
Statutory Dedications	\$25,673,069	\$28,753,356	\$27,511,214	(\$1,242,142)	(4.3%)
Federal Funds	\$6,786,374	\$16,522,373	\$14,483,745	(\$2,038,628)	(12.3%)
<b>Total Means of Finance</b>	<b>\$59,980,218</b>	<b>\$72,422,626</b>	<b>\$59,766,316</b>	<b>(\$12,656,310)</b>	<b>(17.5%)</b>

The Division of Administration estimates that **\$8.3 million** in State General Fund is needed in FY17 to fully fund normal operating costs and other priorities. Therefore, **\$5.2 million** additional SGF is needed to fully fund operations.

# SIGNIFICANT ADJUSTMENTS

**\$3.2 Million**  
reduction in  
**Statutory**  
**Dedications** from  
the **Oilfield Site**  
**Restoration Fund.**

This will align  
projected  
expenditures and  
typical fund  
revenues.

**\$1.5 Million**  
reduction in  
**Federal Funds** for  
the Bayou Corne  
Sinkhole.

This reduction is  
due to decreased  
activity and funding  
expected to expire  
in FY17.

**\$2.5 Million**  
reduction in  
**Interagency**  
**Transfers.**

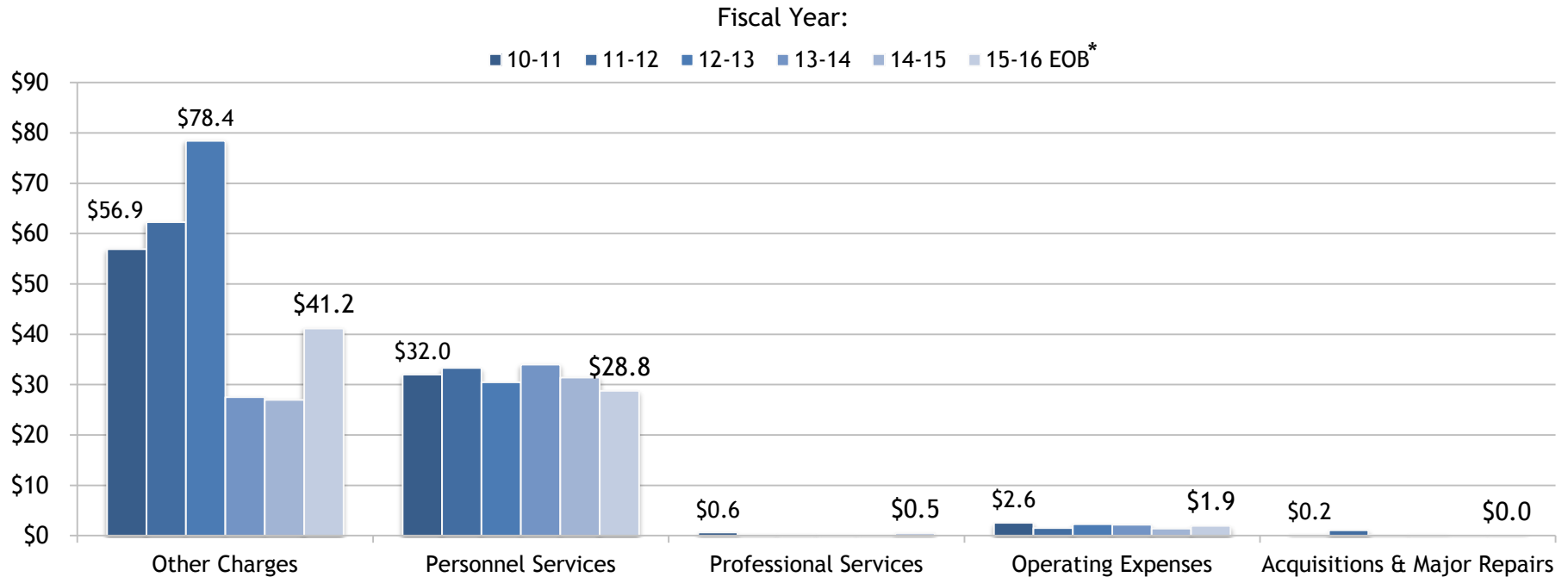
This is internal IAT  
within DNR for  
expenses that were  
paid by the Office  
of the Secretary  
and will now be  
billed to the four  
offices directly.

**\$2 Million**  
Reduced  
revenues in the  
**Mineral &**  
**Energy**  
**Operation Fund**  
replaced by  
increasing funds  
in the **Oil & Gas**  
**Regulatory**  
**Fund.**

# EXPENDITURE BREAKDOWN

Expenditure	FY 14-15 Prior Year Actual Expenditures	FY 15-16 Existing Operating Budget	FY 16-17 Executive Budget Recommendation	\$ Change from Existing	% Change from Existing
Salaries	\$20,178,420	\$18,370,414	\$18,875,292	\$504,878	2.7%
Other Compensation	\$245,120	\$287,905	\$285,363	(\$2,542)	(0.9%)
Related Benefits	\$10,971,601	\$10,103,930	\$9,771,839	(\$332,091)	(3.3%)
Travel	\$215,468	\$289,491	\$219,510	(\$69,981)	(24.2%)
Operating Services	\$837,679	\$1,140,903	\$966,807	(\$174,096)	(15.3%)
Supplies	\$351,989	\$513,847	\$461,342	(\$52,505)	(10.2%)
Professional Services	\$165,442	\$529,361	\$252,645	(\$276,716)	(52.3%)
Other Charges	\$26,973,090	\$41,165,132	\$28,933,518	(\$12,231,614)	(29.7%)
Acq/Major Repairs	\$41,409	\$21,643	\$0	(\$21,643)	(100.0%)
Unalloted	\$0	\$0	\$0	\$0	0.0%
<b>Total Expenditures</b>	<b>\$59,980,218</b>	<b>\$72,422,626</b>	<b>\$59,766,316</b>	<b>(\$12,656,310)</b>	<b>(17.5%)</b>
Authorized Positions	335	324	324	0	0.0%

# EXPENDITURE HISTORY (IN MILLIONS)



Source: Executive Budget Supporting Documents

\*Existing Operating Budget as of 12/1/15

# FY17 DISCRETIONARY/NON-DISCRETIONARY FUNDING

**TOTAL BUDGET**  
**\$59.8 Million**

\$14.4 Million IAT  
Double Count

**\$45.4  
Million  
Remaining**

Self Generated  
Revenue  
**\$344,000**

Statutory  
Dedications  
**\$27.5 Million**

Federal Funds  
**\$14.5 Million**

State General Fund  
**\$3.1 Million**

**Non Discretionary  
\$0**

**Discretionary  
\$3.1 Million**

Mineral Resource Mgmt  
**\$1.6 Million**

Oil & Gas Regulatory  
**\$1.3 Million**

Executive  
**\$153,000**

Coastal Management  
**\$0**

# PERSONNEL INFORMATION

## Personnel/Budget Ratio

\$18.7 M	Salaries and Other Comp.
+ \$10.1 M	Related Benefits
= \$28.8 M	Total Personnel Services

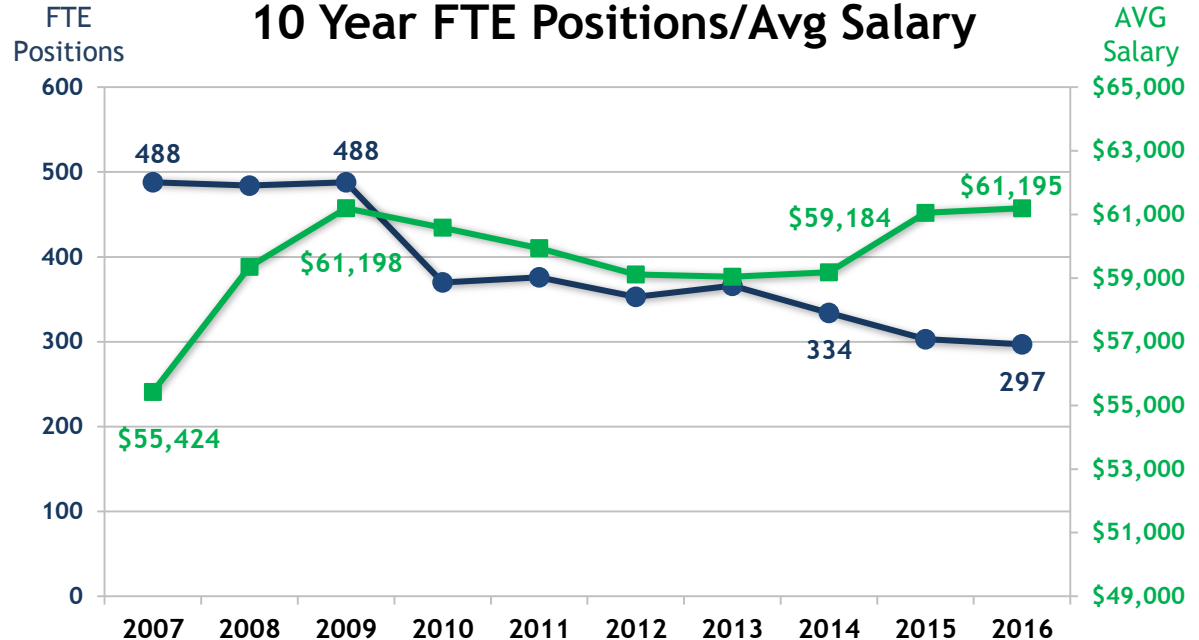
**94% of budget expenditures**  
(excluding Other Charges)

## Authorized Positions

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

As of 1/29/2016, DNR had 26 vacancies

## 10 Year FTE Positions/Avg Salary



Source: Prepared by House Fiscal Division staff using information from Civil Service

# DEPARTMENT CONTACTS



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