

**Representative Cameron Henry**  
Chairman



**Representative Franklin Foil**  
Vice Chairman

# **FY19-20 HB105 Review**

## **Department of Natural Resources**

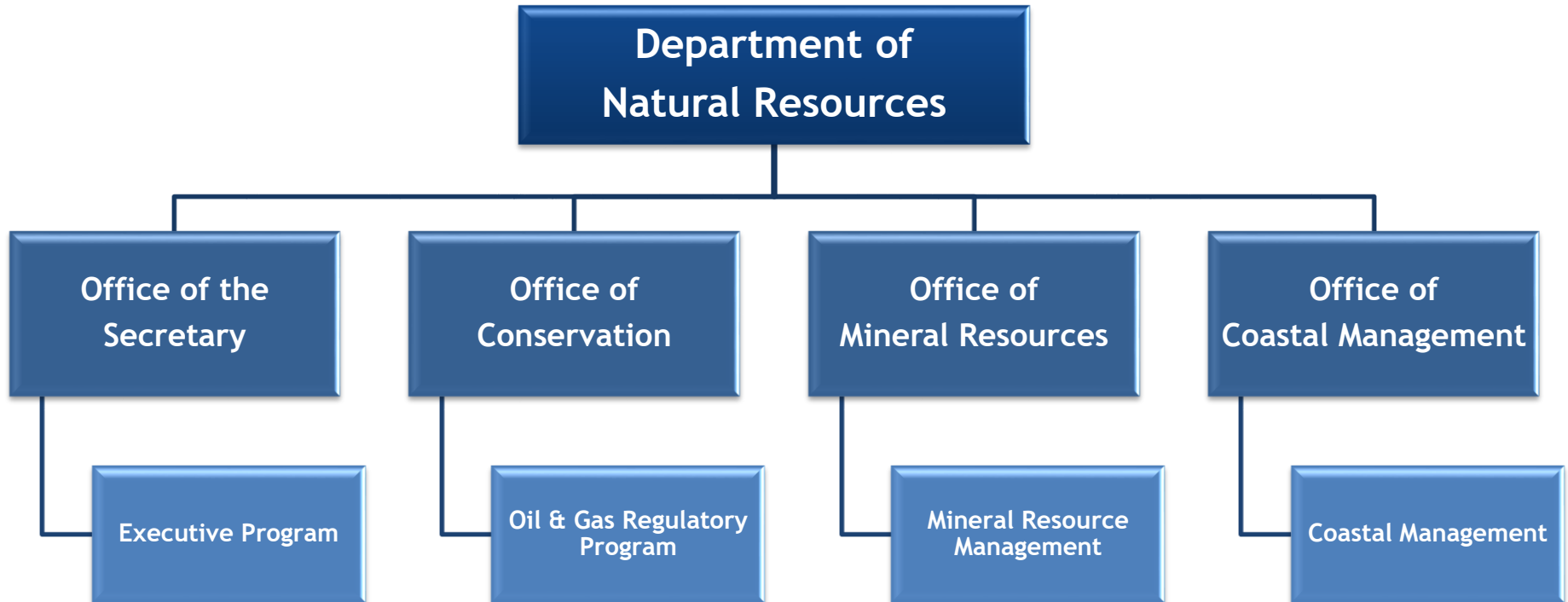
**House Committee on Appropriations**  
Prepared by the House Fiscal Division

April 15, 2019

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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.
- Budget and Finance.

### Technology Assessment Division

- Analyzes subjects and issues 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.

# DEPARTMENT FUNCTIONS

## Office of Conservation

### Engineering - Administrative Division

- Prevention of the waste of oil and gas underground, in storage, or in transportation.
- Protection of property rights of all persons related to oil and gas exploration in Louisiana.
- Process 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.
- 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.
- District offices in Lafayette, Shreveport, and Monroe.

### 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 (continued)

### 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

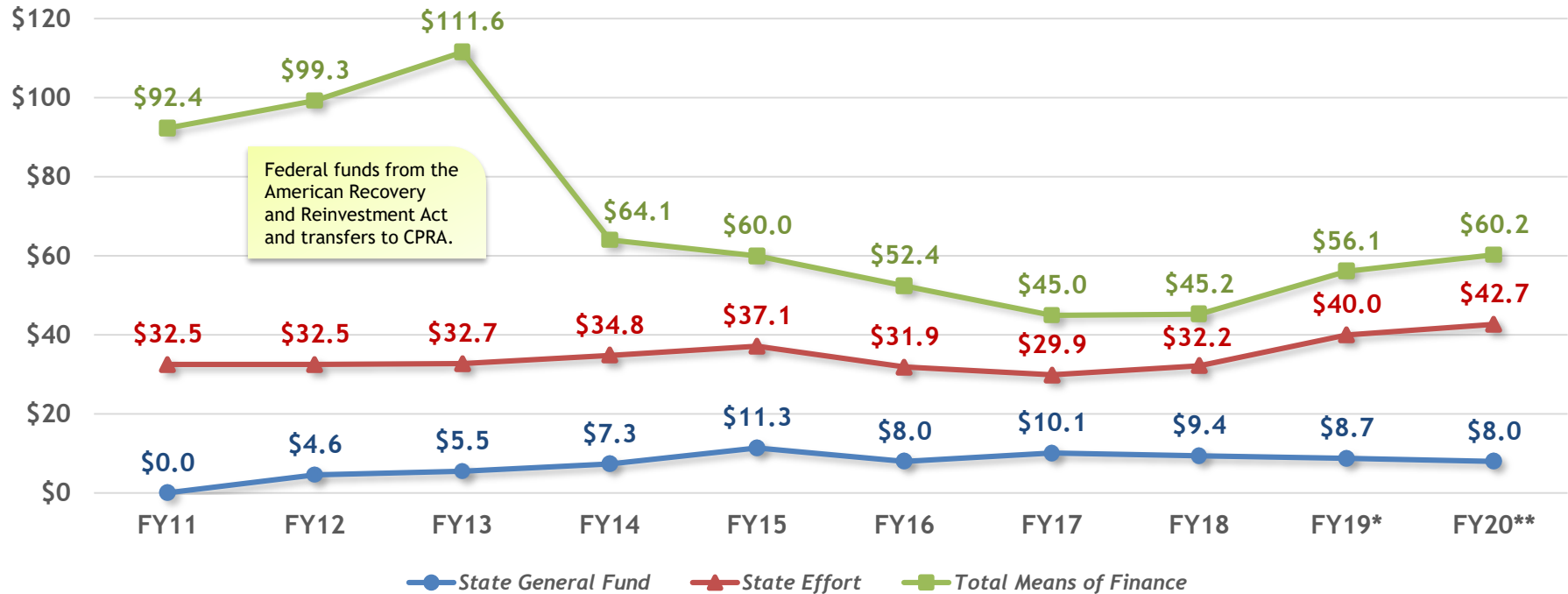
- Regulates development activities and manages the resources of the Coastal Zone.
- Coastal Use Permit is required for certain projects in the Coastal Zone.
  - dredge and fill work
  - bulkhead construction
  - shoreline maintenance
- The purpose of the Coastal Use Permit process is to make certain 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)



\*Existing Operating Budget as of 12/1/18

\*\*HB105 of 2019 RS

Source: Budget Supporting Documents and HB105 of 2019 RS

# MAJOR SOURCES OF REVENUE

## Statutory Dedications \$34.5 Million

Oil and Gas Regulatory Fund	\$17,283,032
Oilfield Site Restoration Fund	\$9,820,600
Mineral and Energy Operation Fund	\$5,305,512
Coastal Resources Trust Fund	\$901,717
Fisherman's Gear Compensation Fund	\$632,000
Underwater Obstruction Removal Fund	\$350,000
Oil Spill Contingency Fund	\$203,399

## Interagency Transfers \$9 Million

- **\$5.6 Million** - Internal transfers between DNR agencies.
- **\$2.8 Million** - Coastal Protection and Restoration Authority transfer to the Office of Coastal Management.
- **\$550,000** - Wildlife and Fisheries transfer to the Office of Mineral Resources.

## Federal Funding \$8.5 Million

- **\$3.1 Million** - U.S. Department of Commerce for Coastal Zone Management.
- **\$2.6 Million** - U.S. Department of Transportation for pipeline safety and inspection.
- **\$1.5 Million** - U.S. Department of Energy to support the State Energy Office and energy conservation initiatives.
- **\$804,000** - U.S. Department of the Interior for mine inspection and abandoned mine reclamation.
- **\$409,000** - U.S. Environmental Protection Agency.
- **\$36,000** - U.S. Army Corps of Engineers for geologic review.

# DEDICATED FUNDS

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

# FUNDING OVERVIEW

Means of Financing	FY 17-18 Prior Year Actual Expenditures	FY 18-19 Existing Operating Budget 12/1/18	FY 19-20 HB105	\$ Change from Existing	% Change from Existing	\$ Change from Actuals	% Change from Actuals
State General Fund	\$9,421,017	\$8,743,801	\$7,995,955	(\$747,846)	(8.6%)	(\$1,425,062)	(15.1%)
Interagency Transfers	\$6,277,881	\$8,816,870	\$9,001,985	\$185,115	2.1%	\$2,724,104	43.4%
Fees and Self-Gen	\$92,199	\$318,639	\$208,000	(\$110,639)	(34.7%)	\$115,801	125.6%
Statutory Dedications	\$22,654,657	\$30,924,931	\$34,496,260	\$3,571,329	11.5%	\$11,841,603	52.3%
Federal Funds	\$6,775,027	\$7,258,917	\$8,542,903	\$1,283,986	17.7%	\$1,767,876	26.1%
<b>Total</b>	<b>\$45,220,781</b>	<b>\$56,063,158</b>	<b>\$60,245,103</b>	<b>\$4,181,945</b>	<b>7.5%</b>	<b>\$15,024,322</b>	<b>33.2%</b>



## \$185K IAT

Net increase in the amount of internal transfers between DNR agencies.



## \$110K FSGR

Decrease in collections related to access to the SONRIS data system.



## \$3.6M Dedications

Cumulative increase driven by collections and using fund balances from the Oilfield Site Restoration Fund, Oil & Gas Regulatory Fund, and Mineral & Energy Operations Fund.



## \$1.3M Federal

Increase in funding from the U.S. Department of Energy for the Energy Settlement Program and the U.S. Department of Transportation for pipeline inspections.

Source: Budget Supporting Documents and HB105 of 2019 RS

# EXPENDITURE OVERVIEW

Expenditure	FY 17-18 Prior Year Actual Expenditures	FY 18-19 Existing Operating Budget	FY 19-20 HB105	\$ Change from Existing	% Change from Existing	\$ Change from Actuals	% Change from Actuals
Salaries	\$17,543,946	\$19,543,957	\$20,583,337	\$1,039,380	5.3%	\$3,039,391	17.3%
Other Compensation	\$124,508	\$234,916	\$234,916	\$0	0.0%	\$110,408	88.7%
Related Benefits	\$11,038,725	\$11,718,990	\$12,987,455	\$1,268,465	10.8%	\$1,948,730	17.7%
Travel	\$277,870	\$378,517	\$449,563	\$71,046	18.8%	\$171,693	61.8%
Operating Services	\$5,104,981	\$7,982,639	\$10,193,350	\$2,210,711	27.7%	\$5,088,369	99.7%
Supplies	\$483,059	\$532,255	\$527,591	(\$4,664)	(0.9%)	\$44,532	9.2%
Professional Services	\$130,618	\$703,154	\$878,976	\$175,822	25.0%	\$748,358	572.9%
Other Charges	\$9,979,245	\$14,244,480	\$14,252,160	\$7,680	0.1%	\$4,272,915	42.8%
Acq/Major Repairs	\$537,829	\$724,250	\$137,755	(\$586,495)	(81.0%)	(\$400,074)	(74.4%)
<b>Total Expenditures</b>	<b>\$45,220,781</b>	<b>\$56,063,158</b>	<b>\$60,245,103</b>	<b>\$4,181,945</b>	<b>7.5%</b>	<b>\$15,024,322</b>	<b>33.2%</b>
Authorized Positions	321	308	311	3	1.0%	(10)	(3.1%)

Source: Budget Supporting Documents and HB105 of 2019 RS

# SIGNIFICANT EXPENDITURE CHANGES

## **\$2.3M - Personal Services (\$1M Salaries and \$1.3M Related Benefits)**

- Net increase due to standard adjustments to Salaries including the salary base, market rate, and projected savings from attrition.
- Similar adjustments for Related Benefits including base, retirement rate, and group insurance rate.
- Funding Salaries and Related Benefits for 3 additional positions.

## **\$2.2M - Operating Services**

- Accounting shift that moves expenses related to the Oilfield Site Restoration Program to operating services from other charges.

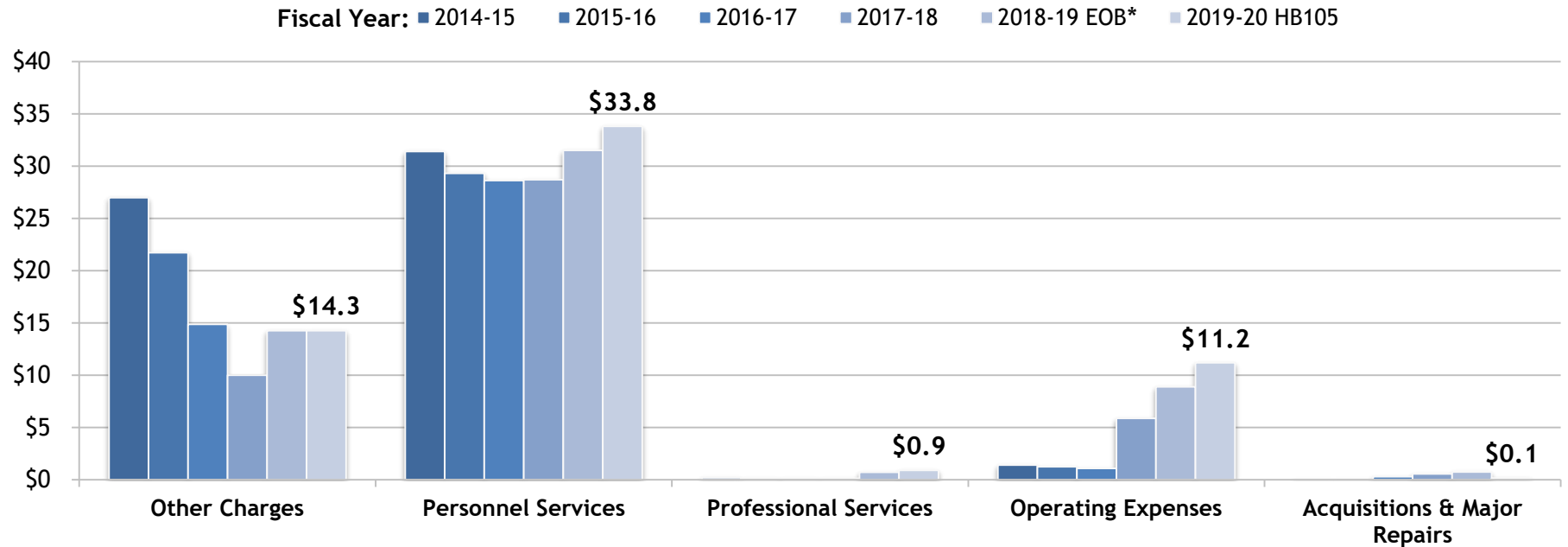
## **(\$586K) - Acquisitions and Major Repairs**

- **(\$724K)** - Removal of funding for acquisitions purchased in FY19.
- \$245K - funding added for the purchase of vehicles and document systems.

## **3 - Authorized Positions**

- New classified positions funded by statutory dedications and federal funds for the pipeline inspection activity.

# EXPENDITURE HISTORY (IN MILLIONS)



Source: Budget Supporting Documents and HB105 of 2019 RS

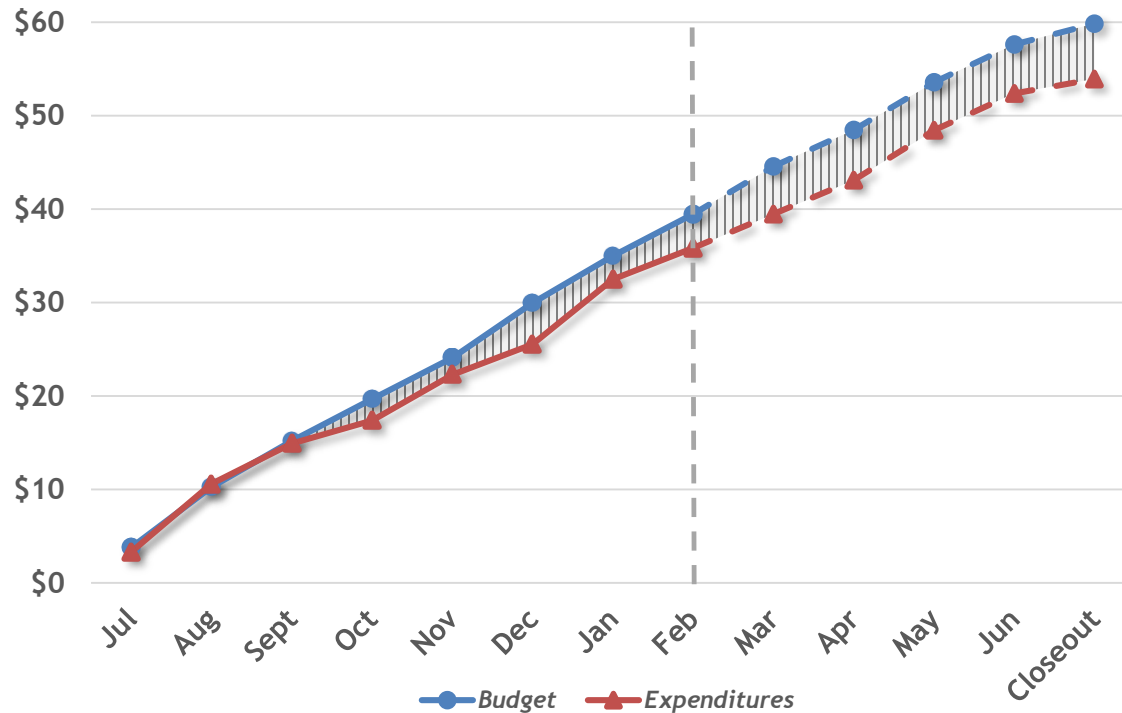
\*Existing Operating Budget as of 12/1/18

# OTHER CHARGES

Amount	Description
\$6,141,585	Interdepartmental transfers within the department
\$5,171,376	Interagency Transfers (statewide services and other state agencies)
\$1,399,831	Oilfield Site Restoration
\$421,710	Fisherman's Gear Fund Claims
\$383,165	Local Coastal Programs (aid to political subdivisions)
\$303,900	Federal Energy Settlement Activity
\$176,839	Energy Efficiency & Renewable Energy Program (self-generated)
\$100,000	Coastal Beneficial Use Programs
\$81,000	Insurance Recovery
\$52,754	Code Compliance Training
\$20,000	Abandoned Mine Land
<b>\$14,252,160</b>	<b>Total Other Charges</b>



# FY19 EXPENDITURE TREND



Analysis shows approximately 10% or \$5.9 million in total means of finance budget authority could be unspent at year-end based on actuals through February and projections through the remainder.

Projections show these funds are made up of \$2.5M in Salaries and Related Benefits, \$1.6M in Operating Services, and \$600K in Professional Services.

In FY18, the department did not spend 18% or \$10.1M of its budget authority comparing its end of year budget and actual expenditures factoring in funds carried into FY19. This unspent budget was comprised of \$6M statutory dedications, \$2.1M interagency transfers, and \$1.7M federal funding.

# PERSONNEL INFORMATION

FY 2019-20

## Personnel/Budget Ratio

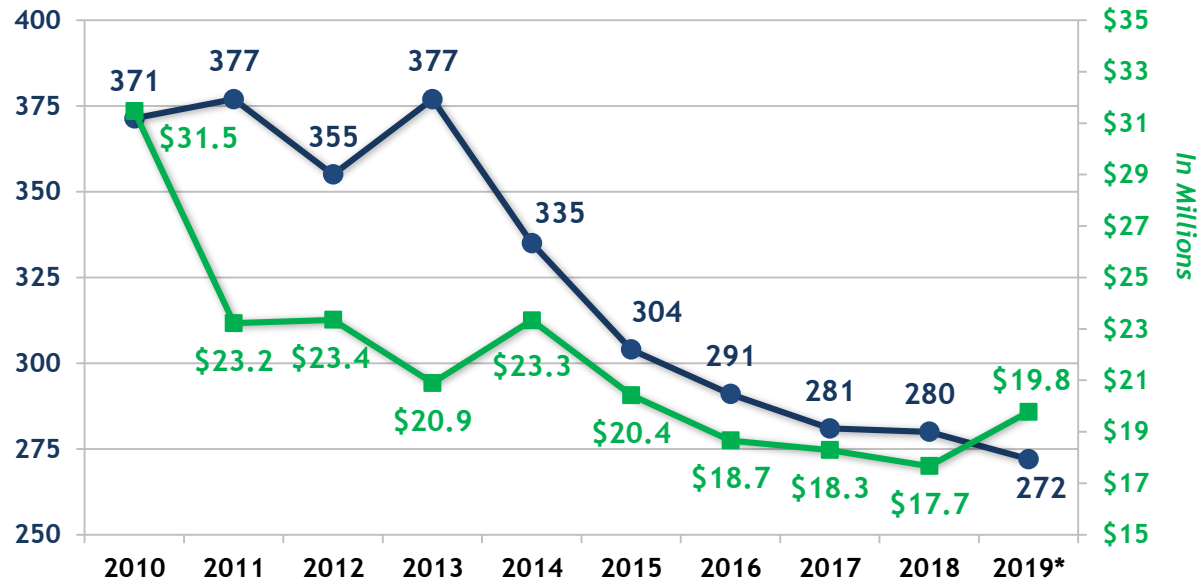
\$20.8	M	Salaries and Other Comp.
+ \$13.0	M	Related Benefits
<hr/>		
= \$33.8	M	Total Personnel Services

**74% of budget expenditures**  
(excluding Other Charges)

## Authorized Positions

- 311 (303 classified and 8 unclassified)
- 2 Non-TO FTE Positions
- 3 new positions added
- DNR had 34 vacancies as of January 31, 2019

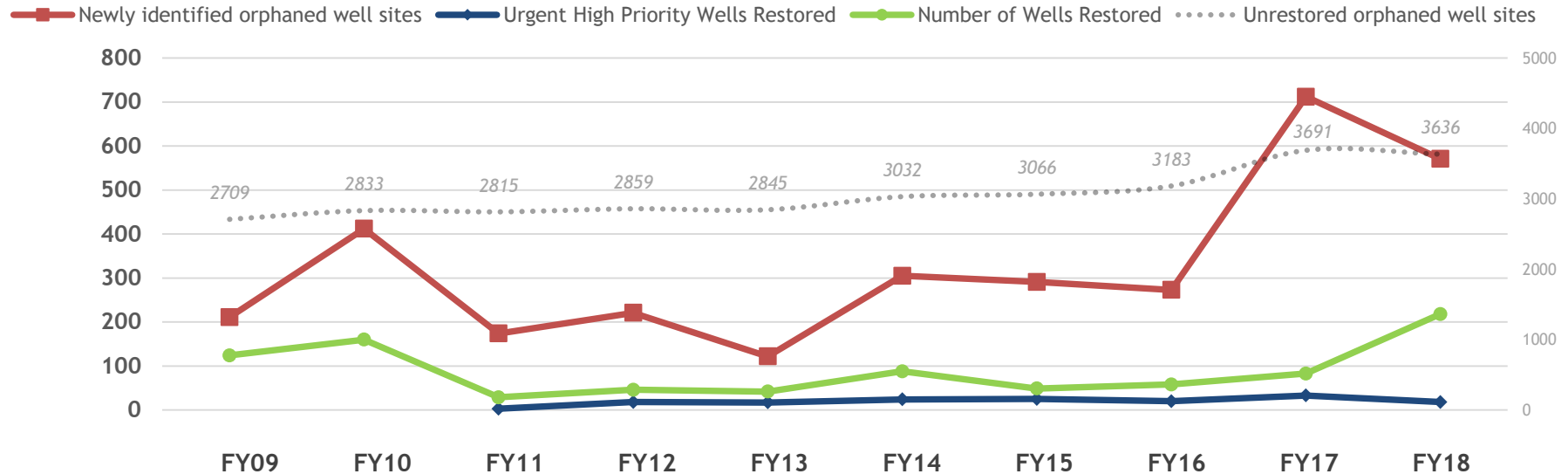
## 10 Year FTE Positions/Salaries Expended



\*Existing Operating Budget 12/1/18

Source: Dept. of Civil Service and Budget Supporting Documents

# OILFIELD SITE RESTORATION ACTIVITY



	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Newly identified orphaned well sites	211	412	174	221	122	305	291	273	712	571
Urgent High Priority Wells Restored	N/A	N/A	3	18	17	24	25	20	33	18
Number of Wells Restored	124	160	29	46	42	88	49	58	83	218

Source: LAPAS/Budget Supporting Documents

# DEPARTMENT CONTACTS



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