

Representative Jerome Zeringue  
Chairman



Representative Gary Carter  
Vice Chairman

# **Fiscal Year 2020-21 HB105 Budget Review Department of Natural Resources**

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

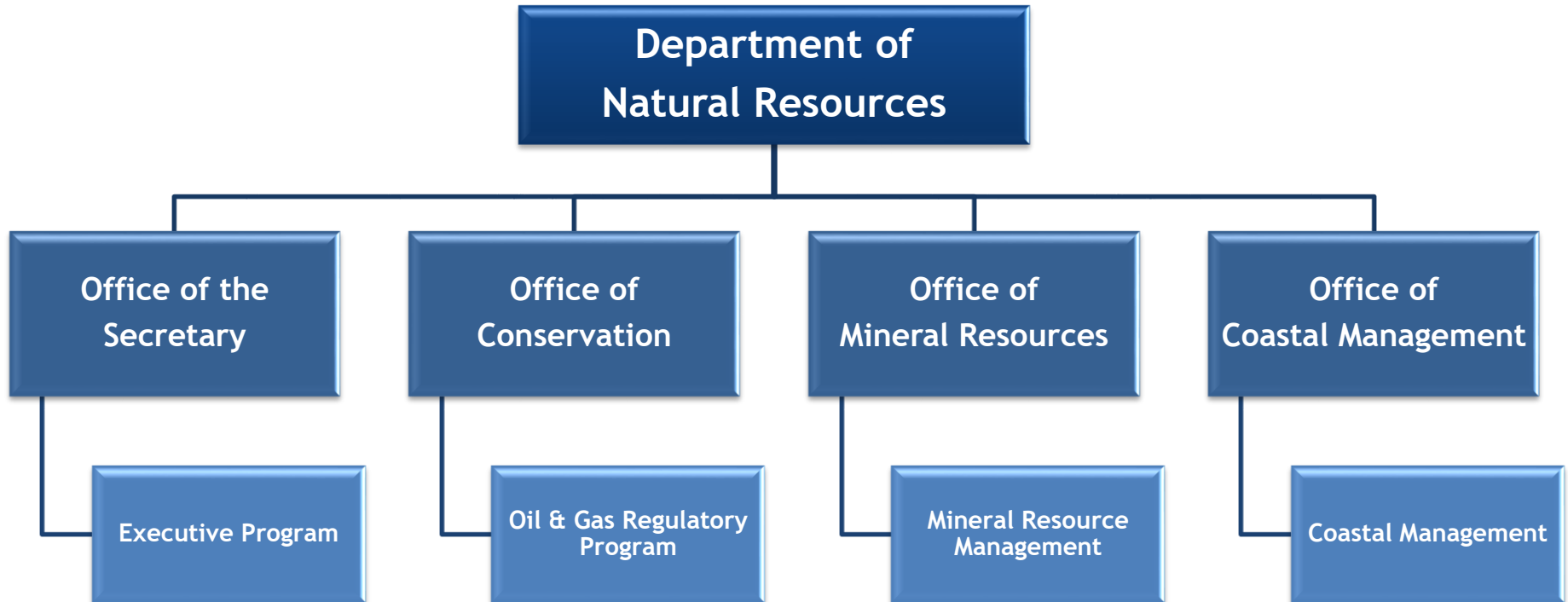
*March 11, 2020*

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# DEPARTMENT ORGANIZATION



# DEPARTMENT OVERVIEW

## OFFICE OF THE SECRETARY



*The mission of the Department of Natural Resources is to ensure and promote sustainable and responsible use of the natural resources of our state so that they are available for the enjoyment and benefit of our citizens now and in the future.*

### 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 OVERVIEW

## OFFICE OF CONSERVATION

### Engineering - Administrative

- 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

- 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

- **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 OVERVIEW

## OFFICE OF CONSERVATION

### Geological Oil & 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

- 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 OVERVIEW

## OFFICE OF MINERAL RESOURCES

### 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.

### State Mineral & 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.

### 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 OVERVIEW

## 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

- 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.

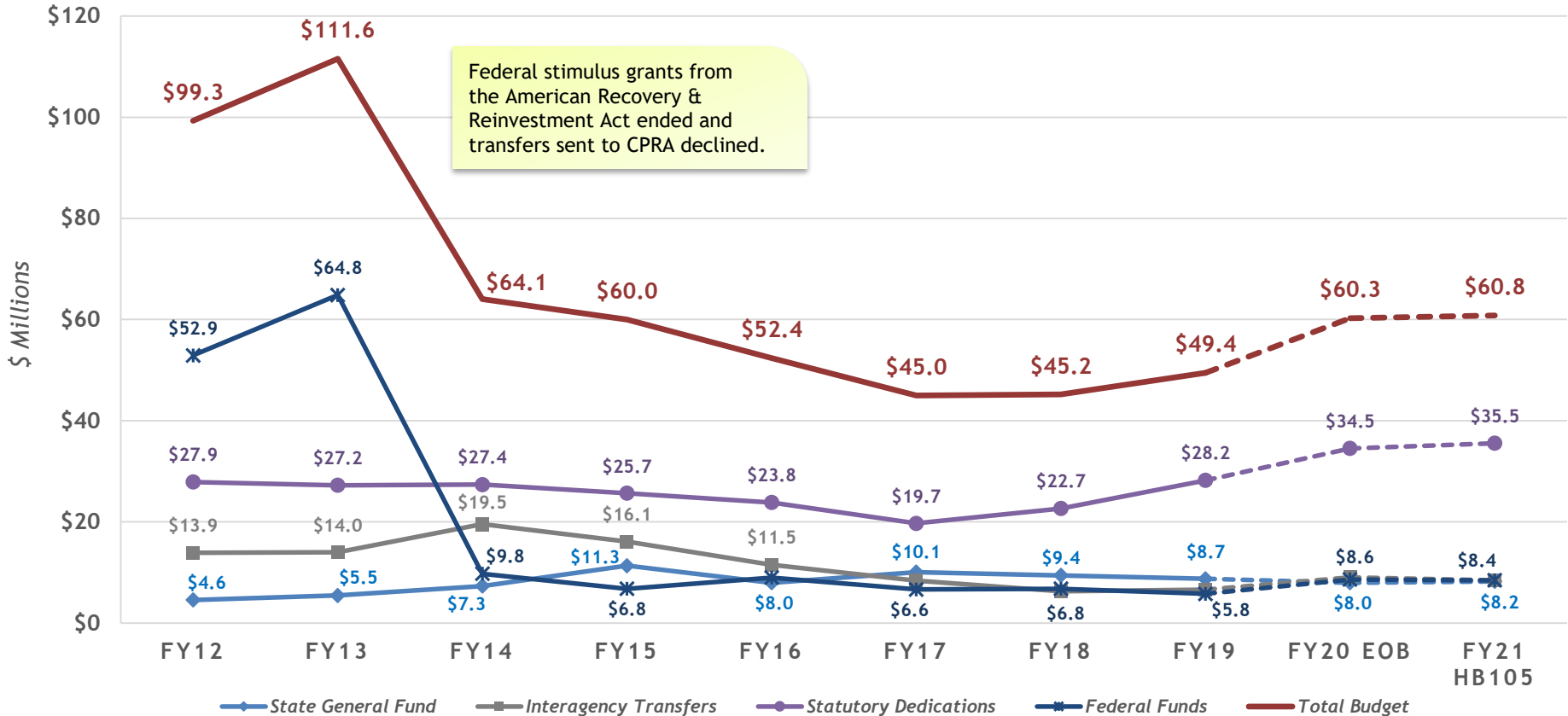
### Interagency Affairs & Field Services

- 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.



# HISTORICAL SPENDING

**NOTE:** All FY20 Existing Operating Budget (EOB) amounts used in this presentation exclude carryforwards from FY19



Source: Office of Planning and Budget - Budget Supporting Documents; and HB105 of the 2020 Regular Session

# SOURCES OF FUNDING

## Interagency Transfers \$8.4 Million

- **\$5,025,584** - Internal transfers between agencies in the department.
- **\$2,841,884** - Coastal Protection and Restoration Authority transfer to the Office of Coastal Management.
- **\$550,000** - Wildlife and Fisheries transfer to the Office of Mineral Resources.
- **\$25,260** - Division of Administration and the Department of Revenue for the Platts service that provides energy and commodities market data.

## Federal Funds \$8.4 Million

- **\$2,918,193** - U.S. Department of Commerce for Coastal Zone Management.
- **\$2,748,960** - U.S. Department of Transportation for pipeline safety and inspection.
- **\$1,747,154** - U.S. Department of Energy to support the State Energy Office and energy conservation initiatives.
- **\$591,439** - U.S. Department of the Interior for mine inspection and abandoned mine reclamation.
- **\$377,181** - U.S. Environmental Protection Agency.
- **\$36,331** - U.S. Army Corps of Engineers for geologic review.

# STATUTORY DEDICATIONS

Fund Name	FY21 HB105	Funding Source	Use
<b><i>Statutory Funds</i></b>			
Oil & Gas Regulatory Fund	\$16,266,859	Various regulatory fees charged on oil and gas wells by the Office of Conservation	Oil & Gas Regulatory Program
Mineral and Energy Operation Fund	\$4,776,933	Revenues from lease sales, judgments and settlements	Mineral Resource Management Program
Coastal Resources Trust Fund	\$751,113	Fees on coastal use permit applications	Coastal Resources Program
Fisherman's Gear Compensation Fund	\$632,000	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	\$350,000	\$250,000 annual deposit from Fisherman's Gear Fund, other appropriations, grants, donations.	Underwater Obstruction Removal Program
<b><i>Constitutional Funds</i></b>			
Oilfield Site Restoration Fund	\$12,558,865	Fees on oil and natural gas producing wells	Oilfield Site Restoration Program
Oil Spill Contingency Fund	\$203,399	Judgments, penalties, federal funds, fees levied on oil transporting vessels	Office of Coastal Management

# FUNDING CHANGE COMPARISON

Means of Finance	FY 18-19 Actual Expenditures	FY 19-20 Existing Operating Budget	FY 20-21 HB105 Budget	Change from EOB		Change from Actuals	
				\$	%	\$	%
SGF	\$8,743,801	\$7,962,984	\$8,211,691	\$248,707	3.1%	(\$532,110)	(6.1%)
IAT	\$6,592,577	\$9,001,985	\$8,442,728	(\$559,257)	(6.2%)	\$1,850,151	28.1%
FSGR	\$125,520	\$208,000	\$208,000	\$0	0.0%	\$82,480	65.7%
STAT DED	\$28,220,283	\$34,496,260	\$35,539,169	\$1,042,909	3.0%	\$7,318,886	25.9%
FEDERAL	\$5,764,284	\$8,605,735	\$8,419,257	(\$186,478)	(2.2%)	\$2,654,973	46.1%
Total	\$49,446,465	\$60,274,964	\$60,820,845	\$545,881	0.9%	\$11,374,380	23.0%

Significant revenue changes from EOB:



## (\$559K) Interagency Transfers

Decrease in amount of budget authority needed for internal fund transfers within the agencies in the department.



## \$1M Statutory Dedications

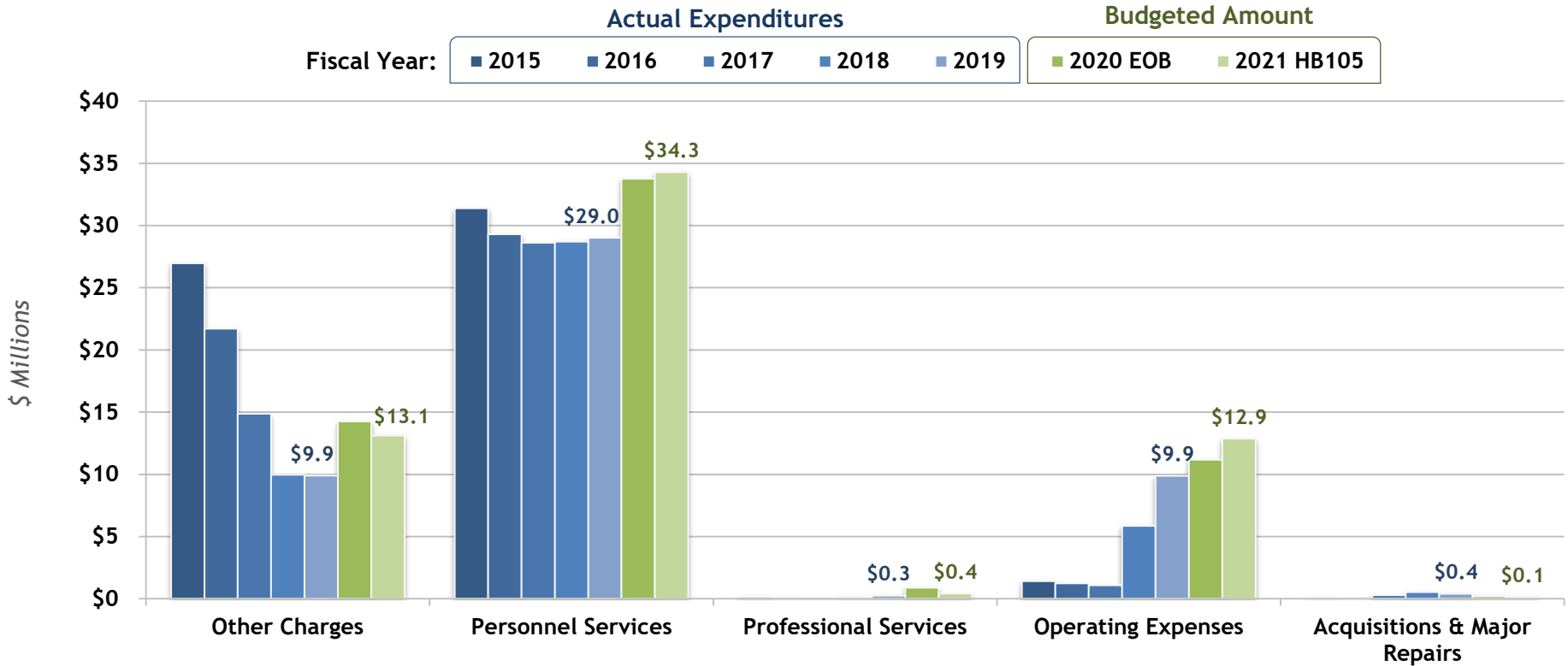
Net increase in funds from a \$2.7M increase from the Oilfield Site Restoration Fund and decreases in the Oil & Gas Regulatory Fund (\$1.1M) and the Coastal Resources Trust Fund (\$166K).



## (\$186K) Federal Funds

Net decrease driven by a reduction in budget authority of \$214K to align projects and need in the State Energy Program.

# EXPENDITURE HISTORY



Source: Office of Planning and Budget - Executive and Proposed Budget Supporting Documents

# EXPENDITURE CHANGE COMPARISON

Expenditure Category	FY 18-19 Actual Expenditures	FY 19-20 Existing Operating Budget	FY 20-21 HB105 Budget	Change from EOB		Change from Actuals	
				\$	%	\$	%
Salaries	\$17,948,612	\$20,463,554	\$20,700,966	\$237,412	1.2%	\$2,752,354	15.3%
Other Compensation	\$124,998	\$334,916	\$264,944	(\$69,972)	(20.9%)	\$139,946	112.0%
Related Benefits	\$10,939,612	\$12,974,267	\$13,317,380	\$343,113	2.6%	\$2,377,768	21.7%
Travel	\$322,529	\$449,563	\$455,610	\$6,047	1.3%	\$133,081	41.3%
Operating Services	\$9,262,516	\$10,193,350	\$11,896,671	\$1,703,321	16.7%	\$2,634,155	28.4%
Supplies	\$290,696	\$527,591	\$523,738	(\$3,853)	(0.7%)	\$233,042	80.2%
Professional Services	\$259,326	\$878,976	\$419,397	(\$459,579)	(52.3%)	\$160,071	61.7%
Other Charges/IAT	\$9,903,114	\$14,252,160	\$13,109,961	(\$1,142,199)	(8.0%)	\$3,206,847	32.4%
Acq/Major Repairs	\$395,062	\$200,587	\$132,178	(\$68,409)	(34.1%)	(\$262,884)	(66.5%)
<b>Total</b>	<b>\$49,446,465</b>	<b>\$60,274,964</b>	<b>\$60,820,845</b>	<b>\$545,881</b>	<b>0.9%</b>	<b>\$11,374,380</b>	<b>23.0%</b>

Source: Office of Planning and Budget - Budget Supporting Documents and HB105 of the 2020 Regular Session

# SIGNIFICANT EXPENDITURE CHANGES

## **\$510K - Personnel Services**

**(\$1,116,741)**

Reduction due to standard projected attrition savings and applying additional attrition.

**\$1,653,698**

Net increase in changes to salary base, classified staff pay increase, group insurance, and the related benefits base.

## **\$1.7 M - Operating Services**

Increase in orphan well projects in the Oilfield Site Restoration Program funded from the balance of the Oilfield Site Restoration Fund.

## **(\$460K) - Professional Services**

Reduction of \$224K in legal services contracts that have been completed, \$175K from contracts which expired and will be performed in house by Coastal Management staff, and \$60K in expiring contracts.

## **(\$1.1 M) - Other Charges/Interagency Transfers**

Reduction in the amount of funding that is being internally transferred with the department's agencies and shifting some costs associated with the Oilfield Site Restoration Program from Other Charges to Operating Services.

# OTHER CHARGES DETAIL

## Other Charges

Amount	Description
\$561,000	Federal Energy Settlement
\$483,165	Local Coastal Aid to Political Subdivisions
\$421,710	Fisherman's Gear Fund Claims Payments
\$408,076	Energy Efficiency & Renewable Energy program
\$241,417	Oilfield Site Restoration program
\$173,577	Insurance Recovery
\$20,000	Abandoned Mine Land program
<b>\$2,308,945</b>	<b>Total Other Charges</b>

## Interagency Transfers

Amount	Description
\$4,793,012	Internal Transfers within DNR agencies
\$2,764,106	Office of Technology
\$1,205,034	Rent
\$344,695	Risk Management
\$251,765	Telecommunications
\$230,000	Attorney General
\$207,697	Facility Planning & Control
\$199,411	DOTD - Topographic Mapping
\$171,621	Legislative Auditor
\$154,246	Security
\$126,468	Civil Service Fees
\$100,000	Beneficial Use Projects
\$66,331	LSU Geological Review Fees
\$186,630	All Other Transfers
<b>\$10,801,016</b>	<b>Total OC-Interagency Transfers</b>



# FY19 UNSPENT AUTHORITY

	End of Fiscal Year Budget	Actual Amount Spent	Unspent Budget Authority	Unspent Budget %	Unspent % by MOF
SGF	\$8,743,801	\$8,743,801	\$0	0.0%	0.0%
IAT	\$8,262,319	\$6,592,577	\$1,669,742	20.2%	16.2%
FSGR	\$318,639	\$125,520	\$193,119	60.6%	1.9%
STAT DED	\$34,655,251	\$28,220,283	\$6,434,968	18.6%	62.4%
FEDERAL	\$7,785,548	\$5,764,284	\$2,021,264	26.0%	19.6%
<b>FY19 TOTAL</b>	<b>\$59,765,558</b>	<b>\$49,446,465</b>	<b>\$10,319,093</b>	<b>17.3%</b>	<b>100.0%</b>

## Historical Total Unspent Authority for Comparison

FY18 TOTAL	\$55,361,122	\$45,220,781	\$10,140,341	18.3%
FY17 TOTAL	\$64,421,651	\$44,964,864	\$19,456,787	30.2%
3 YR AVG	\$59,849,444	\$46,544,037	\$13,305,407	22.2%

Collecting less revenue than was budgeted amounted to \$7 million of the unspent authority. Certain funding within the department is tied to economic activity of the oil and gas industry. Statutory dedication funding from Oil & Gas Regulatory Fund and the Mineral and Energy Fund were both stagnant in FY19.

# FY19 UNSPENT AUTHORITY

## Did department collect all revenue budgeted?

	Final Budget (w/o carryforward)	Actual Revenue Collections	Uncollected Revenue
SGF	\$8,743,801	\$8,743,801	\$0
IAT	\$8,262,319	\$6,592,577	(\$1,669,742)
FSGR	\$318,639	\$125,521	(\$193,118)
SD	\$34,655,251	\$31,332,636	(\$3,322,615)
FED	\$7,785,548	\$5,710,929	(\$2,074,619)
<b>TOTAL</b>	<b>\$59,765,558</b>	<b>\$52,505,464</b>	<b>(\$7,260,094)</b>

The department collected nearly \$7.2 million less than the FY19 budget. The majority of excess budget authority over collections was in statutory dedications and federal funds. Interagency transfers are in large part internal within the department that must have another source of funding.

## Did department spend all collections?

	Actual Revenue Collections	Actual Expenditures	Unspent Revenue
SGF	\$8,743,801	\$8,743,801	\$0
IAT	\$6,592,577	\$6,592,577	\$0
FSGR	\$125,521	\$125,520	(\$1)
SD	\$31,332,636	\$28,220,283	(\$3,112,353)
FED	\$5,710,929	\$5,764,284	\$53,355
<b>TOTAL</b>	<b>\$52,505,464</b>	<b>\$49,446,465</b>	<b>(\$3,058,999)</b>

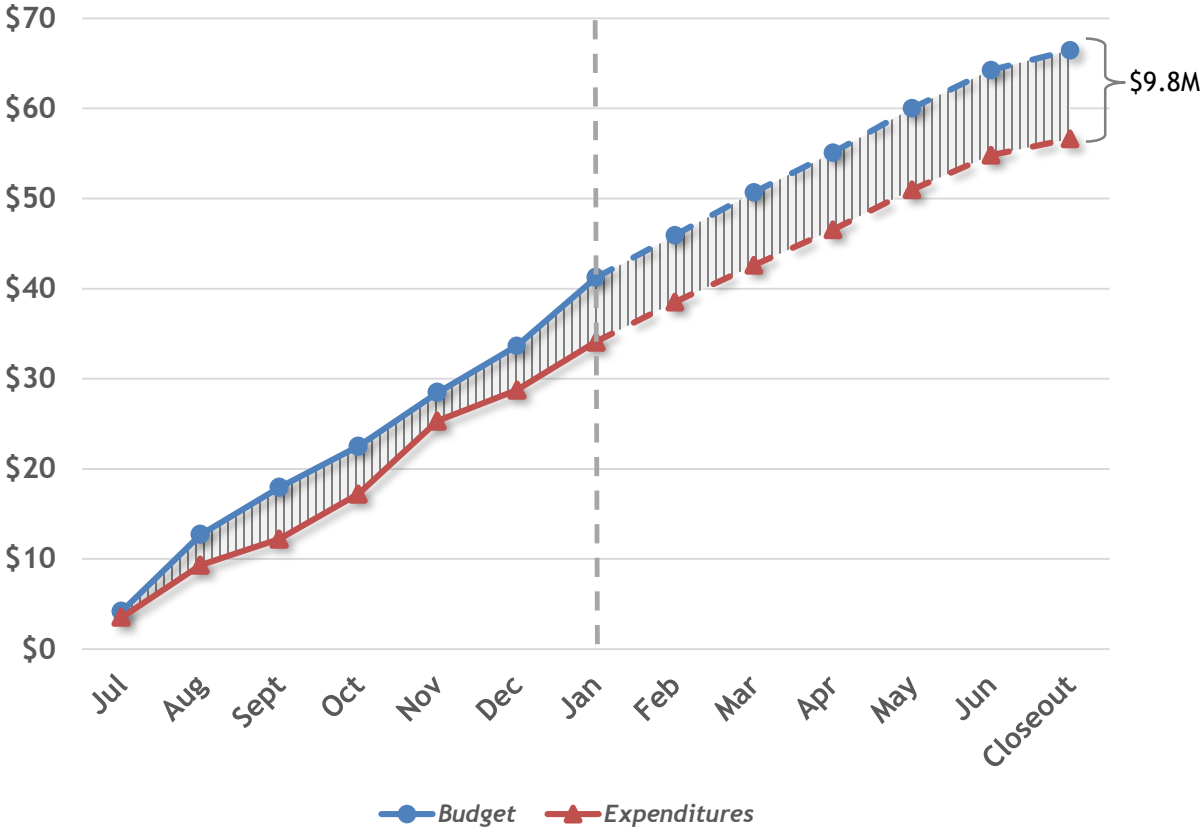
Nearly all the funds collected which were not expended come from \$3.1 million in statutory dedications. This was mostly attributable to the Mineral and Energy Fund which collected \$2.5M more than expenditures and the Oilfield Site Restoration Fund which collected \$1M over expended.

# CURRENT EXPENDITURE TREND

Analysis shows approximately 14.8% or \$9.8 million in total budget authority from all means of finance could be unspent at year-end based on actual spending through January and projections to the end of the year.

Projections show this authority would be found in the Interagency Transfers, Other Charges, Salaries, and Operating Services.

For FY19, HFD projected the department would have \$5.9M in remaining budget authority, when they actually had \$10.5M in authority left at year end.



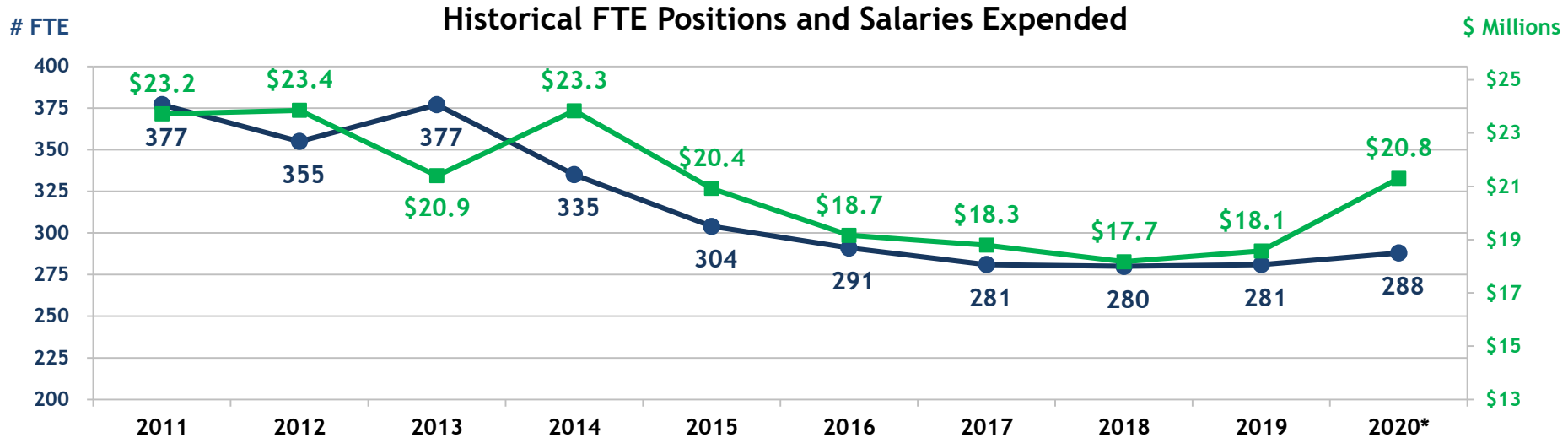
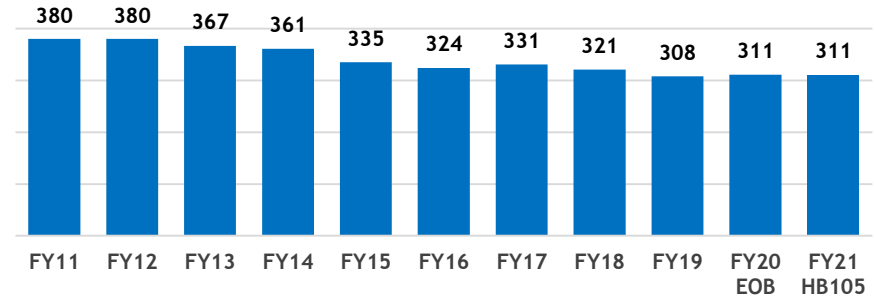
Source: State of Louisiana - AFS Statewide Accounting System

# PERSONNEL INFORMATION

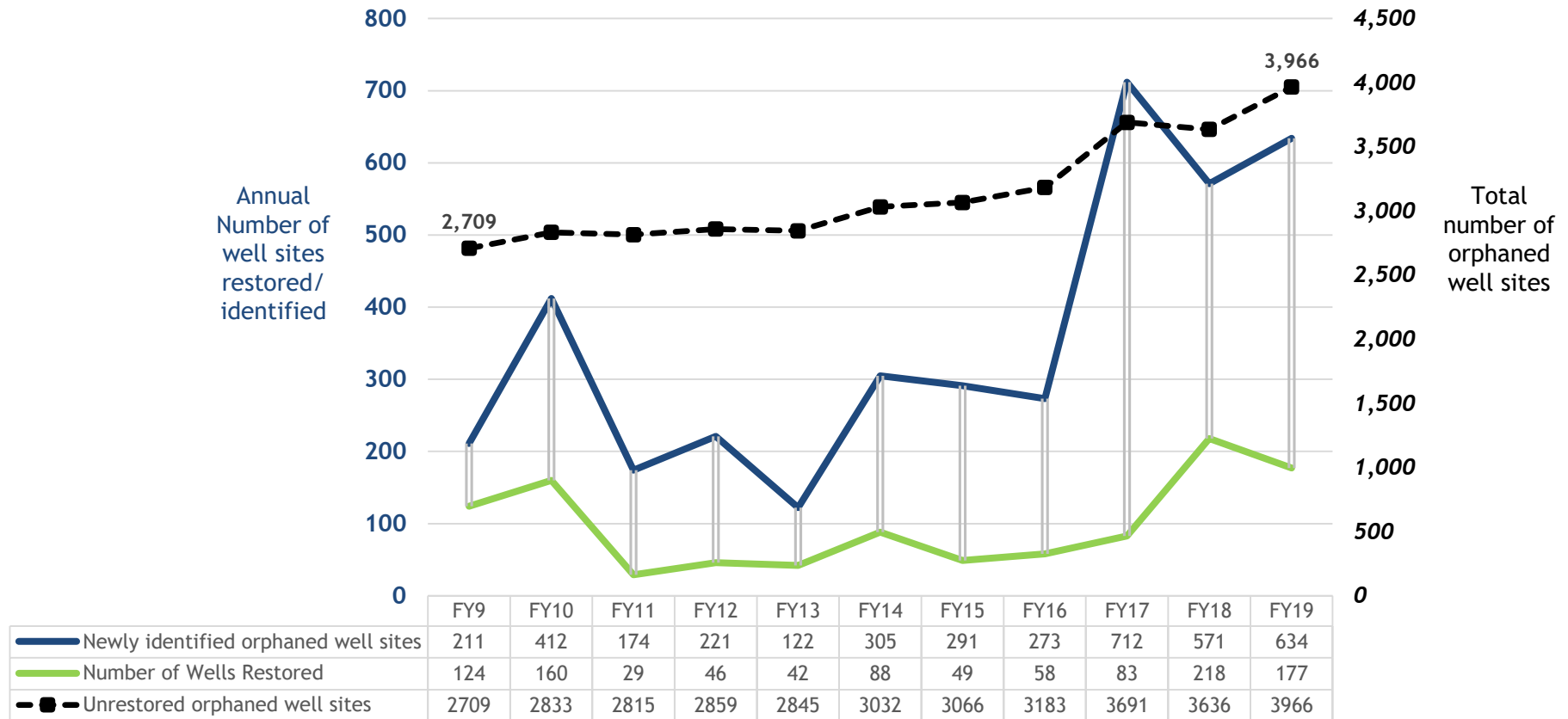
## FY 2021 Recommended Positions

311	Total Authorized T.O. Positions (302 Classified, 9 Unclassified)
0	Authorized Other Charges Positions
2	Non-T.O. FTE Positions
20	Vacant Positions (February 3, 2020)

## Historical Authorized T.O. Positions



# OILFIELD SITE RESTORATION



# DEPARTMENT CONTACTS



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**Thomas Harris**  
*Secretary*

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**Beverly Hodges**  
*Undersecretary*

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**Richard Ieyoub**  
*Commissioner of Conservation*  
*Office of Conservation*

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**Jamie Manuel**  
*Assistant Secretary*  
*Office of Mineral Resources*

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**Keith Lovell**  
*Assistant Secretary*  
*Office of Coastal Management*

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