

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2217-02
Bill No.: Perfected SS for SB 476
Subject: Attorney General, State; Boards, Commissions, Committees, Councils; Fees; Mining and Oil and Gas Production; Natural Resources Department
Type: Original
Date: April 15, 2015

Bill Summary: This proposal modifies provisions relating to the Department of Natural Resources.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Oil and Gas Resources*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

*Revenues and Expenditures net to zero.
 Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Oil and Gas Resources	3 FTE	3 FTE	3 FTE
Total Estimated Net Effect on FTE	3 FTE	3 FTE	3 FTE

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints, **Oversight** prepared the fiscal note for the original bill without agency responses, and reflected a cost to the Oil and Gas Resources Fund for this program. Oversight has since received responses from the impacted agencies and has incorporated their estimates into this fiscal note.

§§ 259.052, 259.080, and 259.190 - Oil and Gas Resources Fund & Oil and Gas Remedial Fund:

Officials from the **Department of Natural Resources (DNR)** assume revenues collected as a result of this provision would come from fee structures that are to be established by DNR while involving stakeholders and the State Legislature.

DNR assumes this provision would result in an increase to state revenue through fee funds. Any possible oil and gas revenue generated by fees established through this proposal will be controlled by the rate of oil and gas production.

DNR assumes this provision creates the Oil and Gas Resources Fund to consist of all gifts, donations, transfers, moneys appropriated by the general assembly, permit fees, and bequests, to be administered by DNR.

DNR assumes this provision would give the State Oil and Gas Council the authority to regulate release and forfeiture of surety bonds to cover proper well closure.

DNR assumes this provision would establish the ability by DNR to propose a fee structure with stakeholder involvement to the State Oil and Gas Council. If approved by a 2/3 majority of the council, DNR would file for rulemaking containing the proposed fee structure. The General Assembly can act to disapprove the fee structure within the first 60 days of the following session.

DNR assumed this provision would establish a late fee for failure to pay fees.

ASSUMPTION (continued)

DNR assumes 3 additional Geologist III (each at \$55,416 annually) are needed to implement these provisions.

	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>
<u>Salaries:</u>	\$138,540	\$167,910	\$169,590
Geologist III (3.0 FTE)			
Fringe Benefits	\$72,048	\$87,322	\$88,195
Expense and Equipment			
Standard - 3 FTE	\$40,601	\$18,296	\$18,751
Contracting-Engineering	\$12,000	\$12,000	\$12,000
<u>Council Expenses</u>	<u>\$1,400</u>	<u>\$1,400</u>	<u>\$1,400</u>
Total	\$264,589	\$286,928	\$289,936

DNR assumes engineering services to provide reservoir engineering consultation and expertise, especially as it relates to enhanced oil recovery and emerging production technologies.

Oversight assumes this provision would result in additional income through fees established by the Oil and Gas Commission for oil and gas drilling permits.

Oversight assumes the additional fee income would be used for salaries, fringe benefits, expenses, and equipment for the 3 FTE as well as contract engineering and council expenses paid from the Oil and Gas Resources Fund set to cover the costs of the program.

Officials from the **Office of Administration - Division of Budget and Planning (B&P)** assume the proposal would authorize the promulgation of regulations to establish a fee structure for regulated oil and gas activities, with revenues to be deposited into a new state fund, the Oil and Gas Resources Fund, which it would also create. Any new fees established under such rules would affect both TSR and 18e. Budget and Planning defers to DNR for an estimate of any such impact

ASSUMPTION (continued)

Senate Amendment 1

§§ 260.235, 260.395, 444.600, 444.773, 444.980, 621.250, 640.115, 643.075, 643.078, 644.051, 644.056 - Department of Natural Resources Permit Decision Appeal Procedures:

Officials from the **Department of Natural Resources (DNR)** assume whenever a license is issued, renewed, denied, suspended or revoked by DNR, this proposal would allow any aggrieved person to file a petition for appeal with the Administrative Hearing Commission (AHC) within thirty days of the decision. Once the AHC has reviewed the appeal, the AHC shall make a recommendation to DNR environmental commissions. DNR's environmental commissions shall make the final decision. The commissions' decisions shall be subject to judicial review pursuant to chapter 536. No judicial review shall be available until and unless all administrative remedies are exhausted.

DNR does not anticipate any significant direct fiscal impact from this amendment.

Oversight assumes Senate Amendment 1 is similar to SB 225 (2015) which had no direct fiscal impact on state or local government funds.

Bill as a Whole

Officials from the **Department of Economic Development, Office of Administration - Administrative Hearing Commission, Department of Health and Senior Services, Office of State Courts Administrator,** and the **State Treasurer's Office** each assume the proposal would not fiscally impact their respective agencies.

In response to the previous version of this proposal, officials from the **Office of Governor,** and the **Joint Committee on Administrative Rules** each assumed the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
OIL AND GAS RESOURCES FUND			
<u>Income - DNR</u>			
§§ 259.010 - 259.190 - Oil and Gas Council	\$264,589	\$286,928	\$289,939
<u>Costs - DNR</u>			
§§ 259.010 - 259.190 - Oil and Gas Council			
Contract Engineering	(\$12,000)	(\$12,000)	(\$12,000)
Council Expenses	(\$1,400)	(\$1,400)	(\$1,400)
Personal Service	(\$138,540)	(\$167,910)	(\$169,590)
Fringe Benefits	(\$72,048)	(\$87,322)	(\$88,195)
Expense & Equipment	(\$40,601)	(\$18,296)	(\$18,754)
<u>Total Costs - DNR</u>	<u>(\$264,589)</u>	<u>(\$286,928)</u>	<u>(\$289,939)</u>
FTE Change - DNR	3FTE	3 FTE	3 FTE

ESTIMATED NET EFFECT TO THE OIL AND GAS RESOURCES FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change for the Oil and Gas Resources Fund	3 FTE	3 FTE	3 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

§§ 259.052, 259.080, and 259.190 - Oil and Gas Resources Fund & Oil and Gas Remedial Fund:

This proposal includes a mechanism to establish fee structures for oil and gas production. Small businesses providing oil and gas could see an additional cost from this proposal.

FISCAL DESCRIPTION

§§ 259.052, 259.080, and 259.190 - Oil and Gas Resources Fund & Oil and Gas Remedial Fund:

This proposal creates the Oil and Gas Resources Fund consisting of appropriated moneys as well as permit application fees, operating fees, closure fees, late fees, severance fees, and gifts. Such money shall be use to administer provisions of law relating to oil and gas.

Currently, the Oil and Gas Remedial Fund may be used to pay the expenses incurred by the State Oil and Gas Council. This proposal repeals this provision.

§ 259.080 - Fee Structure:

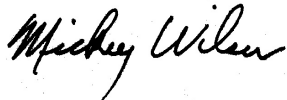
Currently, the State Oil and Gas Council does not charge a fee for obtaining a permit for drilling operations. Under this proposal, the State Oil and Gas Council may authorize the Department of Natural Resources to file an order of rulemaking amending the fee structure for permit application fees, operating fees, closure fees, late fees, and extraction or severance fees after certain procedures are followed as set forth in this act.

Such authority to revise the fee structure in this manner shall expire in 2025. If any applicant fails to pay the appropriate fee, a penalty may be assessed and relief may be sought by the Department of Natural Resources in the appropriate circuit court.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Natural Resources
Department of Economic Development
Office of Administration - Division of Budget and Planning
Office of Administration - Administrative Hearing Commission
Department of Health and Senior Services
Office of State Courts Administrator
State Treasurer's Office
Office of Governor
Joint Committee on Administrative Rules



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