Dept of Natural Resources
HAC – December 7, 2016

Initial questions.

• During the 2016 sessions, what did the department testify would be the effects of the FY 17 budget on services, staffing, and contracts?

OMR - Reductions to personal services, field and office travel, operating services, professional services, and supplies in the Office of Mineral Resources. Require lay-off of 2 staff and maintenance of 7 existing vacancies. (61 authorized T.O.) Reduction in service of every facet of the Office: Lease management, seismic review/permitting, audit services (field and desk), bid evaluation/award, geological review, etc. Number of new field audits will be limited which will increase audit cycle timeframe for large payors due to vacancies.

OC – Require lay-off of 4 staff and maintenance of 4 vacancies in four Divisions across 6 activities: Groundwater, Commercial Facilities, Underground Injection, Field Inspection, District Well Operations, and Production Audit. This will result in service reduction and processing delays… number of inspections, permit issuance, production audit, regulatory responsiveness, etc. Will impact ability to continue to fulfill recommendations resulting from Legislative Auditor's Performance Audit, which was critical of inspection cycles and Oilfield Site Restoration progress.

OS – Eliminate Policy Support = reduction of 1 T.O. – Policy Planner position. Policy research and support duties will be reassigned to existing staff.

It should be noted that lay-offs have not been required as yet due to attrition. The department's vacancy level has increased and the FY17 reductions were not at the 20% level which was reflected in the above recap of testimony.

• Compared to FY 16, what reductions, including services, staffing, and contracts, have been made in the department in FY 17?

Vacancy levels have been purposefully increased as a lay-off avoidance measure due to the anticipated FY16 deficit. The department currently has vacancies in excess of 10% of total T.O. Two contracts have been cancelled or not renewed. Audit cycles have been lengthened due to lack of staffing. Policy Planner duties have been reallocated to existing staff upon retirement of incumbent. Student employment has been reduced. Technology projects have been postponed. Building lease rental payments have been reduced from FY16 to FY17 due to the reduction in floor space allocated to DNR…the entire 11th floor of the LaSalle Building was relinquished and is now occupied by the Dept of Economic Development.

• What reductions would the department make if there are mid-year reductions to the FY 17 budget?

Dept of Natural Resources
HAC – December 7, 2016

Impacts (at 12% General Fund and 5% Statutory Dedication)

OMR – WILL IMPACT REVENUE COLLECTION FOR MAJOR STATE REVENUE (ROYALTY INCOME) AND STATUTORY DEDICATION. Reductions to personal services, field and office travel, operating services, and supplies in the Office of Mineral Resources. Require maintenance of 7 existing vacancies @fiscal year start), the additional maintenance of new vacancies and a reduction in work hours (8 hours per week commencing as soon as possible) for the entirety of the Office. (61 authorized T.O.) Reduction in service of every facet of the Office: Lease management, seismic review/permitting, audit services (field and desk), bid evaluation/award, geological review, etc. Number of new field audits will be limited which will increase audit cycle timeframe for large payors. Propose to reduce the number of lease sales and go to a bi-monthly sale. These reductions will impact the ability of the Office to meet performance indicators for FY17. Because of the functions of the Office it is not practicable to eliminate a function or program as they are closely interrelated.

OC – Require maintenance of 5 vacancies across 2 activities: Field Inspection, District Well Operations and Injection & Mining as well as a reduction in work hours (4 hours per week commencing as soon as possible for 21 weeks) for the entirety of the Office except for the pipeline division and the injection & mining division. (172 authorized T.O.) This will result in service reduction and processing delays… number of inspections, enforcement actions, permit issuance, production audit, regulatory responsiveness, etc., creating delays in response to complaints by the public and local government and in following up to ensure compliance with enforcement actions; and would limit the ability to provide support to emergency responders during accidents. Reduction in the capability to review applications for permits to drill, permit amendments and work permits would create delays in allowing operators to move forward with plans for drilling new wells or re-working existing wells, acting as a disincentive to new investment or expansion in oil and gas production in the state. Will impact ability to continue to fulfill recommendations resulting from Legislative Auditor's Performance Audit, which was critical of inspection cycles.

OS – Reduce HR Support = maintain vacancy of 1 T.O. – Human Resources Specialist position resigned effective October 2016, human resource duties will be reassigned to existing staff which will require overtime to accomplish all tasks. Reductions in stat deds will reduce the number of abandoned oil sites restored and limit the number of fish gear claims paid.

OCM - This stat ded reduction will diminish/reduce OCM's ability to fund ongoing coastal restoration by reducing the Beneficial Use funding levels that are applied to fund CPRA's ongoing coastal restoration projects.

Department-wide vacancy status – DNR has maintained vacancies in each office to offset prior year budget cuts and revenue shortfalls. It was anticipated that as funded and revenues were restored full-employment would be achieved (and will be needed to support increased activity.) The continued maintenance of these vacancies taxes existing staff and their ability to accomplish the goals of each office.

Dept of Natural Resources
HAC – December 7, 2016

- Provide a brief overview of the FY 18 budget request compared to FY 17 by budget unit. What increases are requested in FY 18 and why are the increases necessary, including any new or expanded programs or services to additional populations? Are there any reductions in the FY 18 budget requests, including those as a result of annualizing reductions made in FY 17?

See attached spreadsheet for FY17 – FY18 comparison by budget unit.

There are no new or expanded programs requested in the FY18 budget. The FY18 budget has been submitted with a request to fully fund all vacant positions (35 – 10% of authorized T.O.) and a 4% merit increase was also included. There were some annualized reductions in non-renewed contracts. Also, reflected is the reduction in revenue/expenditures related to the transition of back-office duties to CPRA which will be complete in FY17. The Office of Conservation Pipelines Division's program expansion which began in FY17 will be fully implemented at the end of the current year and FY18 includes the first full year of operation.

- Has the department added any positions, including classified, unclassified, and other charges positions, in FY 17? If so, how many and what positions? Did the department request additional positions in the FY 18 budget request? If so, how many and what positions.

DNR has added 11 positions during FY 17, including:

Reason	# of Positions	Job Title
Expansion of Pipelines Division's program	3	Conservation Enforcement Specialist 1/2/3
	1	Coastal Resources Scientist Manager
	2	Conservation Program Manager
	1	Administrative Coordinator 4
De-centralization of HR function from the Office of State Human Capital Management (OSCHM)	1	Human Resources Director C
	1	Human Resources Manager A
	2	Human Resources Specialist

It is important to note that DNR also lost 4 positions during FY 17, including:

Reason	# of Positions	Job Title
Transfer of back-office accounting duties to CPRA	1	Accountant Manager 4
	1	Accountant Manager 1
	1	Accountant 3
	1	Budget Analyst 4

The Department did not request any additional positions in the FY 18 budget request.

• Provide a summary of changes in salaries from FY 16 to FY 17, including performance adjustments, promotions, or any other changes in salaries. Provide a summary of requested changes in salaries from FY 17 to FY 18, including performance adjustments, promotions, or any other changes in salaries.

The following is a summary of the twenty-four (24) salary changes that have occurred from 7/1/2016 through the preparation date of this information (11/21/2016):

Reason for Salary Increase	# of Increases Given	% Given	Authority - Civil Service Rule
Promotion	1	7%	6.7(a) – Promotion Up 1 Pay Level
	3	14%	6.7(b) – Promotion Up 3 Pay Levels
	1	14%	6.5(g) – Extraordinary Qualifications
	1	17.3%	6.5(b) – Promotion to higher job with Special Entrance Rate (SER)
Reallocation	2	5.4%	6.5(b) – Reallocation to higher job with Special Entrance Rate (SER)
	5	7%	6.8(a) – Reallocation Up 1 Pay Level
	8	10.5%	6.8(a) – Reallocation Up 2 Pay Levels
	1	12.8%	6.5(b) – Reallocation to higher job with Special Entrance Rate (SER)
	1	14.5%	6.5(b) – Reallocation to higher job with Special Entrance Rate (SER)
Unclassified Salary Adjustment	1	16.3%	Not applicable

As noted above, the FY 18 budget request included a 4% merit increase for all full-time DNR employees.

Secondary questions.

• What budget adjustments have been made since the initial appropriation to your department? How much in each means of finance has been appropriated to each agency since the initial appropriation?

As of November 28, 2016, no budget adjustments have been made. The MOF appropriated to each agency for FY17 is illustrated below:

Means of Finance	Agency 431	Agency 432	Agency 434	Agency 435	All Agencies
SGF	$424,414	$3,082,645	$5,714,328	-	$9,221,387
IAT	$7,602,121	$2,220,020	$281,526	$3,872,116	$13,975,873
Self-Generated	$285,889	$19,000	$20,000	$19,000	$343,889

Coastal Resources Trust				$2,643,794	$2,643,794
Fisherman’s Gear	$601,181				$601,181
Oil Site Restoration	$4,867,349				$4,867,349
Mineral & Energy			$4,278,009		$4,278,009
Underwater Obstruction		$250,000			$250,000
Oil & Gas Regulatory		$13,057,894			$13,057,894
Oil Spill Contingency				$184,349	$184,349
Federal	$10,564,559	$2,201,643		$2,207,543	$14,973,745
Total	**$24,345,513**	**$20,831,202**	**$10,293,953**	**$8,926,802**	**$64,397,470**

- Do your spending and staffing levels match the priorities of your department?

No, DNR has held vacancies over the course of the last two fiscal years as a lay-off avoidance measure. Currently, the department has in excess of 35 vacancies. The services provided inclusive of regulatory, permitting, auditing, leasing and collection functions have been stretched and impacted turnaround and cycle times for inspections, reviews, permit issuance and audits. Performance indicators have not been met due to limited staffing.

- Provide the top 5 performance measures that give the outcomes in your department. How do you rank nationally based on these priority measures?

1. Percentage of Department Performance Objectives Achieved – *There were no comparable measures found as peer oil & gas producing states do not have the office structure that Louisiana uses .*
   FY16 - 73%
   FY15 - 69%
   FY14 - 71%

2. Number of urgent and high priority orphaned well sites restored during the fiscal year
   FY16 - 20
   FY15 - 25
   FY14 - 24

State	**# urgent/high priority wells restored FY16**
Kansas	16/271
Colorado	8 no designation
New York	28 no designation
Oklahoma	3/17
Texas	8
Wyoming	500 (most < 3,000 feet) no priority system

These states do not have an orphaned well program: Alaska, Arizona, Maryland, Nevada

3. Percentage of permits to drill oil and gas wells issued within 30 days
   FY16 - 99.02%
   FY15 - 96.8%
   FY14 - 97.9%

State	**Percent issued**	**# of Days**
Alaska	70%	10
Arizona	100%	60
Colorado	100%	82 average
Maryland	0%	30
New York	94%	30
Texas (if no problems)	100%	3.08
Virginia	98-100%	30
Wyoming	majority	45

4. Percentage of royalties audited to total royalties paid
   FY14 - 25.52%
   FY15 - 18.8%
   FY16 - 1.3%

We surveyed peer state and found the following: North Dakota & Alabama do not conduct field audits. Colorado audits approximately 90% of royalties collected each year but only averages $1ooM/ year in royalties of which the top 10 payors account for 90% of total royalties collected. Pennsylvania only conducts volume audits at this time. Other states contacted are Alaska, Oklahoma, Mississippi, Wyoming and Texas, we awaiting a response. There are no nationally based rankings available.

5. Percentage of disturbed wetlands area mitigated by full compensation of habitat loss

   FY14 - 101%
   FY15 - 100%
   FY16 - 100%

All 28 coastal and Great Lake states with coastal management programs regulate coastal wetlands through Federal Consistency rules provided by the federal Coastal Zone Management Act (CZMA). Most states do not have a state coastal permitting program with the amount of staff focused on only permit review and issuance, which is a direct correlation of coastal activities. In Louisiana, we may review and issue over 1,600 Coastal Use Permits per year with approximately 14 permit analysts, while in the 2 states with the most similar regulatory setup, Mississippi issued 215 permits with 4 permit analysts and Connecticut issued 132 permits with 5 permit analysts.

Dept of Natural Resources
HAC – December 7, 2016

- Provide a list of all sources of revenue that are not appropriated. These funds could include restricted or off budget accounts. Also, please provide the amount anticipated to be used in FY 17, the amount in FY 18, and any balance or reserve amount for each source or revenue.

The department does not have any non-appropriated sources of revenue.

Department of Natural Resources
FY 2017 Budget Activity Overview
as of 10/31/2016

	Office of the Secretary		Office of Conservation		Office of Mineral Resources		Office of Coastal Management		Dept of Natural Resources	
	FY 2017 Existing Budget	FY 2018 Budget Request	FY 2017 Existing Budget	FY 2018 Budget Request	FY 2017 Existing Budget	FY 2018 Budget Request	FY 2017 Existing Budget	FY 2018 Budget Request	FY 2017 Existing Budget	FY 2018 Budget Request
Means of Financing:										
State General Fund	**$ 424,414**	**$ 794,845**	**$ 3,082,645**	**$ 4,309,750**	**$ 5,714,328**	**$ 6,718,155**	**$ -**	**$ 494,730**	**$ 9,221,387**	**$ 12,317,480**
431 - Off Secretary							$ 948,048		$ 948,048	$ -
431 - Atch Basin	$ 287,052								$ 287,052	$ -
431 - OSR			$ 708,000	$ 708,000					$ 708,000	$ 708,000
431 - Ground Water			$ 1,512,020						$ 1,512,020	$ -
431 - Fish Gear							$ 96,934	$ 96,934	$ 96,934	$ 96,934
432 - IAT	$ 481,754	$ 1,631,862							$ 481,754	$ 1,631,862
434 - IAT	$ 5,872,894	$ 3,256,819							$ 5,872,894	$ 3,256,819
435 - IAT	$ 550,000								$ 550,000	$ -
109 - IAT	$ 410,421								$ 410,421	$ -
CPRA - BP Oil Spill									$ -	$ -
CPRA - Support							$ 2,827,134	$ 2,827,134	$ 2,827,134	$ 2,827,134
CPRA - Anchor Suit Exp.									$ -	$ -
WLF - Atch Basin									$ -	$ -
WLF for Consolidation									$ -	$ -
DEQ for Consolidation									$ -	$ -
GOHSEP - FEMA									$ -	$ -
Unlocated									$ -	$ -
DEQ									$ -	$ -
WLF	$ -				$ 281,526	$ 300,000			$ 281,526	$ 300,000
Interagency Transfers	**$ 7,602,121**	**$ 4,888,681**	**$ 2,220,020**	**$ 708,000**	**$ 281,526**	**$ 300,000**	**$ 3,872,116**	**$ 2,924,068**	**$ 13,975,783**	**$ 8,820,749**
Fees & Self Generated	**$ 285,889**	**$ 260,667**	**$ 19,000**	**$ 19,000**	**$ 20,000**	**$ 20,000**	**$ 19,000**	**$ 19,000**	**$ 343,889**	**$ 318,667**
N02 - Coastal Resources Trust Fund - BENE USE							$ 2,060,310	$ 100,000	$ 2,060,310	$ 100,000
N02 - Coastal Resources Trust Fund - UNRSTD							$ 583,484	$ 449,000	$ 583,484	$ 449,000
N04 - Fisherman's Gear Fund	$ 601,181	$ 632,000							$ 601,181	$ 632,000
N05 - Oilfield Site Restoration Fund	$ 4,867,349	$ 6,474,676							$ 4,867,349	$ 6,474,676
N07 - Mineral & Energy Fund					$ 4,278,099	$ 4,774,400			$ 4,278,099	$ 4,774,400
N08 - Underwater Obstruction Fund			$ 250,000	$ 250,000					$ 250,000	$ 250,000
N09 - Oil & Gas Regulatory Fund			$ 13,057,894	$ 14,488,616					$ 13,057,894	$ 14,488,616
V01 - Oil Spill Contingency Fund							$ 184,349	$ 207,066	$ 184,349	$ 207,066
Statutory Dedications	**$ 5,468,530**	**$ 7,106,676**	**$ 13,307,894**	**$ 14,738,616**	**$ 4,278,099**	**$ 4,774,400**	**$ 2,828,143**	**$ 756,066**	**$ 25,882,666**	**$ 27,375,758**
Federal Energy Settlements	$ 9,580,771	$ 738,120							$ 9,580,771	$ 738,120
Federal Grants	$ 983,788	$ 1,783,159	$ 2,201,643	$ 2,759,439			$ 2,207,543	$ 2,248,416	$ 5,392,974	$ 6,791,014
Federal Funds	**$ 10,564,559**	**$ 2,521,279**	**$ 2,201,643**	**$ 2,759,439**	**$ -**	**$ -**	**$ 2,207,543**	**$ 2,248,416**	**$ 14,973,745**	**$ 7,529,134**
TOTALS	**$ 24,345,513**	**$ 15,572,148**	**$ 20,831,202**	**$ 22,534,805**	**$ 10,293,953**	**$ 11,812,555**	**$ 8,926,802**	**$ 6,442,280**	**$ 64,397,470**	**$ 56,361,788**
Expenditures:										
Salary	$ 3,576,290	$ 3,659,427	$ 9,511,510	$ 10,058,209	$ 3,326,106	$ 3,760,905	$ 3,127,029	$ 3,151,103	$ 19,540,935	$ 20,629,644
Other Compensation	$ 182,274	$ 182,274	$ 47,580	$ 50,751	$ 17,551	$ 17,551	$ 40,500	$ 23,494	$ 287,905	$ 274,070
Related Benefits	$ 2,224,250	$ 2,228,371	$ 4,745,120	$ 5,407,522	$ 2,124,366	$ 2,413,670	$ 1,633,228	$ 1,705,165	$ 10,726,964	$ 11,754,728
Travel	$ 49,787	$ 50,882	$ 89,902	$ 113,489	$ 132,306	$ 135,217	$ 29,996	$ 35,656	$ 301,991	$ 335,244
Operating Services	$ 537,916	$ 424,136	$ 254,729	$ 279,697	$ 276,398	$ 282,479	$ 87,910	$ 102,561	$ 1,156,953	$ 1,088,873
Supplies	$ 112,044	$ 114,509	$ 350,637	$ 347,819	$ 16,750	$ 17,119	$ 51,494	$ 98,500	$ 530,925	$ 577,947
Professional Services	$ 88,040	$ 46,977	$ 32,392	$ 52,392	$ 236,719	$ 241,927	$ -	$ -	$ 357,151	$ 341,296
Other Charges	$ 13,339,710	$ 7,013,425	$ 2,585,483	$ 1,402,533	$ 67,371	$ 67,371	$ 2,883,807	$ 648,603	$ 18,876,371	$ 9,131,932
Interagency Transfers	$ 4,235,202	$ 1,852,147	$ 2,889,849	$ 4,352,737	$ 4,096,386	$ 4,876,316	$ 1,072,838	$ 677,198	$ 12,294,275	$ 11,758,398
Acquisitions			$ 324,000	$ 469,656					$ 324,000	$ 469,656
TOTALS	**$ 24,345,513**	**$ 15,572,148**	**$ 20,831,202**	**$ 22,534,805**	**$ 10,293,953**	**$ 11,812,555**	**$ 8,926,802**	**$ 6,442,280**	**$ 64,397,470**	**$ 56,361,788**