

Representative Cameron Henry  
Chairman



Representative Franklin Foil  
Vice Chairman

# **FY17-18 Executive Budget Review**

## **Department of Natural Resources**

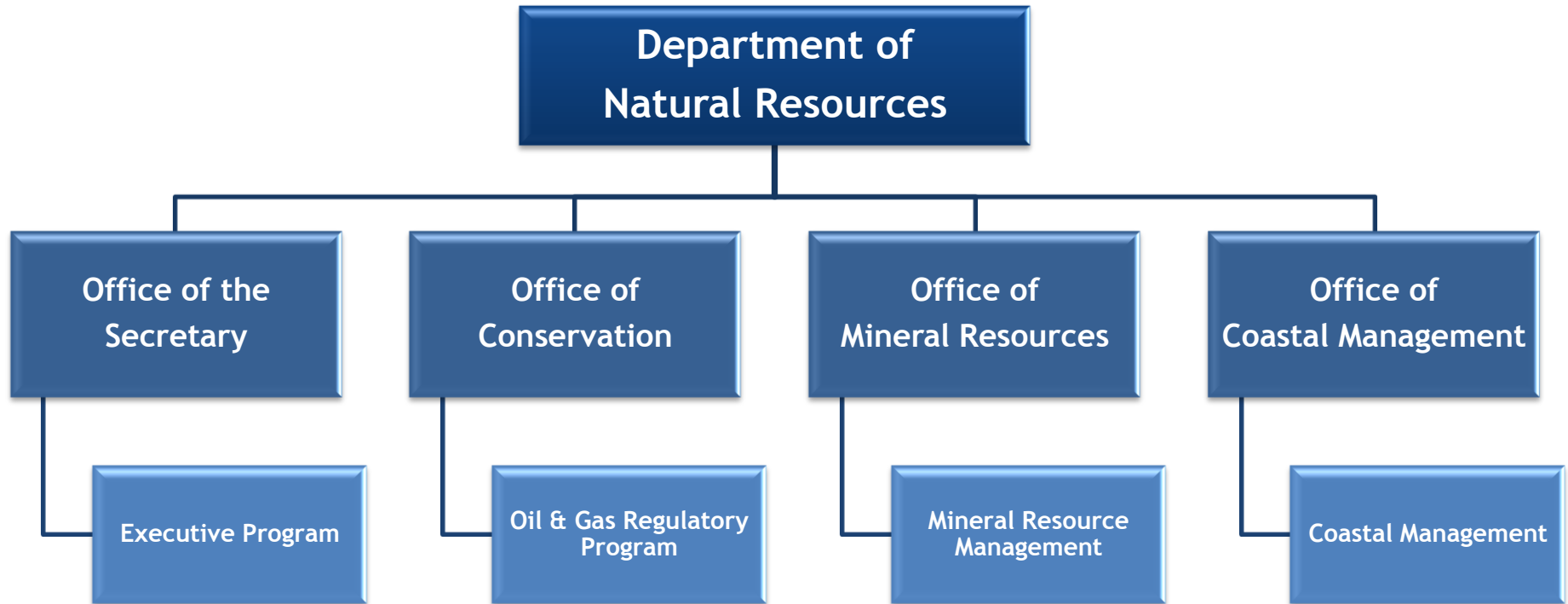
**House Committee on Appropriations**  
Prepared by the House Fiscal Division

March 30, 2017

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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, Finance, and Human Resources.

### 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 reservoir 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 and enforce Financial Security requirements.
- Manages the storage, filing, and dissemination of well records, hearing transcripts, well test information, and historical production information.
- Audits various producer reports that serve as the basis for 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.
  - Performs groundwater use evaluations and enforces groundwater use.
  - Identifies areas of ground water concern, addresses ground water emergencies, and establishes best practices and policies for the State's ground water resources.
  - Serves as administrative and technical staff for the Water Resources Commission and Task Force.
  - Responsible for managing the State's water well registration database, the water well programs for driller licensing, and enforcement (construction and plugging standards).
- 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
  - Provides geological review for Unitization matters presented in Oil and Gas Hearings.
  - Prepares and reviews Office of Conservation Unitization 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.
  - Regulates solution mining and hydrocarbon storage in salt domes
- 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 any lands or water bottoms belonging to the state for development and production of minerals, oil and gas, or renewable energy.
- 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

- Provides expertise in the fields of geology, geophysics, engineering and petroleum lands to the State Mineral & Energy Board.
- Monitors and reviews all existing state leases to insure that the lessee are prudently maintained and developed.
- Performs the mineral leasing function on behalf of the State Mineral & Energy Board, maintains state mineral lease ownership and property data in SONRIS.

### 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.

# 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

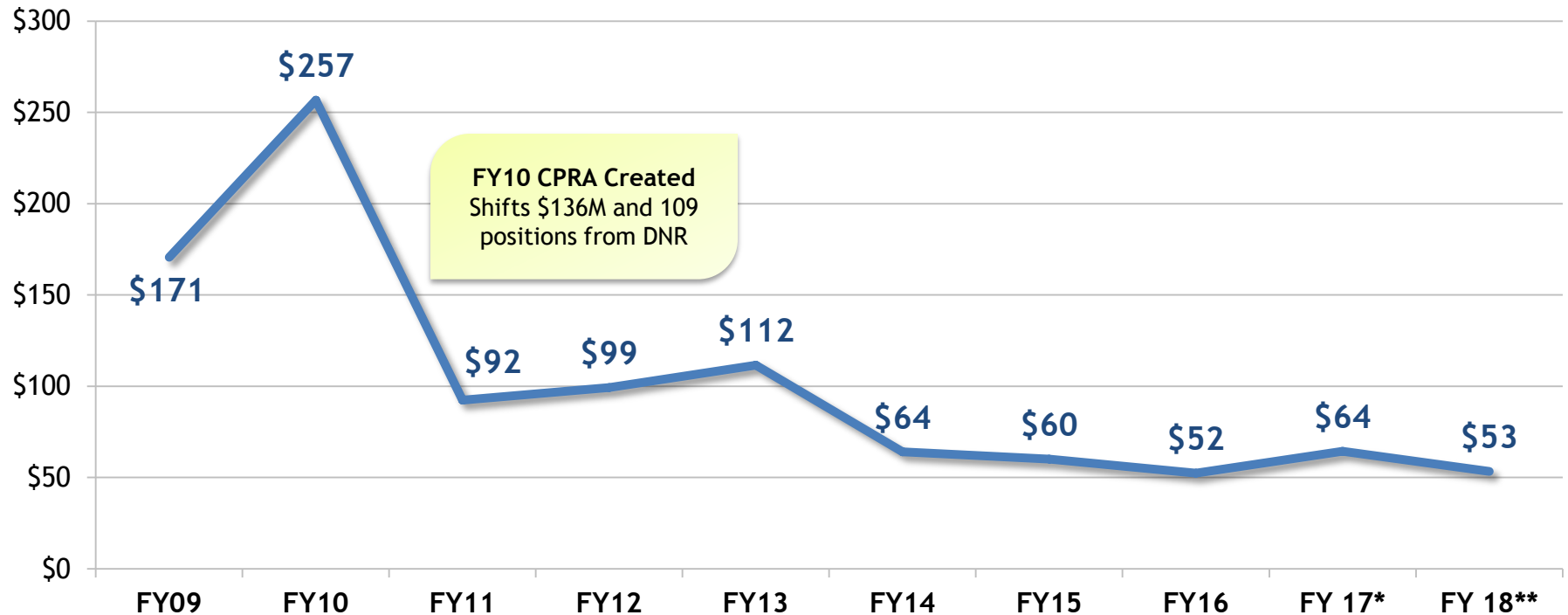
- Regulates development activities and manages the resources of the Coastal Zone.
- Coastal Use Permit is required for certain projects in the Coastal Zone.
  - dredge and fill work
  - bulkhead construction
  - shoreline maintenance
- The purpose of the Coastal Use Permit process is to make certain 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 12/1/16  
\*\*Governor's Executive Budget Recommendation

# MAJOR SOURCES OF REVENUE

## Statutory Dedications \$22.4 Million

Oil and Gas Regulatory Fund	\$13,692,497
Oilfield Site Restoration Fund	\$6,474,025
Fisherman's Gear Compensation Fund	\$632,000
Mineral and Energy Operation Fund	\$618,537
Coastal Resources Trust Fund	\$546,599
Underwater Obstruction Removal Fund	\$250,000
Oil Spill Contingency Fund	\$203,364

## Interagency Transfers \$9 Million

- **\$5.6 Million** - Internal transfers between DNR agencies.
- **\$2.7 Million** - CPRA support to the Office of Coastal Management.
- **\$587,000** - Wildlife and Fisheries support for the Atchafalaya Basin Program and the Office of Mineral Resources.

## Federal Funding \$7.4 Million

- **\$2.2 Million** - National Oceanic and Atmospheric Administration to administer the Coastal Zone Management program.
- **\$1.8 Million** - Department of Transportation Pipeline and Hazardous Materials for gas pipeline safety regulation and inspection.
- **\$1.5 Million** - Department of Energy to support the State Energy Office.

# 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 15-16 Prior Year Actual Expenditures	FY 16-17 Existing Operating Budget 12/1/2016	FY 17-18 Executive Budget Recommendation	\$ Change from Existing	% Change from Existing
State General Fund	\$7,964,082	\$9,221,387	\$14,099,569	\$4,878,182	52.9%
Interagency Transfers	\$11,504,527	\$13,975,783	\$8,992,160	(\$4,983,623)	(35.7%)
Fees and Self-Gen Rev.	\$74,253	\$343,889	\$318,639	(\$25,250)	(7.3%)
Statutory Dedications	\$23,842,285	\$25,882,666	\$22,417,022	(\$3,465,644)	(13.4%)
Federal Funds	\$8,976,076	\$14,973,745	\$7,442,634	(\$7,531,111)	(50.3%)
<b>Total Means of Finance</b>	<b>\$52,361,223</b>	<b>\$64,397,470</b>	<b>\$53,270,024</b>	<b>(\$11,127,446)</b>	<b>(17.3%)</b>
State Effort	\$31,880,620	\$35,447,942	\$36,835,230	\$1,387,288	3.9%

Source: Executive Budget Supporting Documents

# MEANS OF FINANCE BREAKDOWN - AFTER DEFICITS

Means of Financing	FY 15-16 Prior Year Actual Expenditures	FY 16-17 Existing Operating Budget 3/1/17	FY 17-18 Executive Budget Recommendation	\$ Change from Existing 3/1/17	% Change from Existing 3/1/17
State General Fund	\$7,964,082	\$9,208,887	\$14,099,569	\$4,890,682	53.1%
Interagency Transfers	\$11,504,527	\$13,975,783	\$8,992,160	(\$4,983,623)	(35.7%)
Fees and Self-Gen Rev.	\$74,253	\$343,889	\$318,639	(\$25,250)	(7.3%)
Statutory Dedications	\$23,842,285	\$25,857,667	\$22,417,022	(\$3,440,645)	(13.3%)
Federal Funds	\$8,976,076	\$14,973,745	\$7,442,634	(\$7,531,111)	(50.3%)
<b>Total Means of Finance</b>	<b>\$52,361,223</b>	<b>\$64,359,971</b>	<b>\$53,270,024</b>	<b>(\$11,089,947)</b>	<b>(17.2%)</b>
State Effort	\$31,880,620	\$35,410,443	\$36,835,230	\$1,424,787	4.0%

**1<sup>st</sup> Deficit \$0**

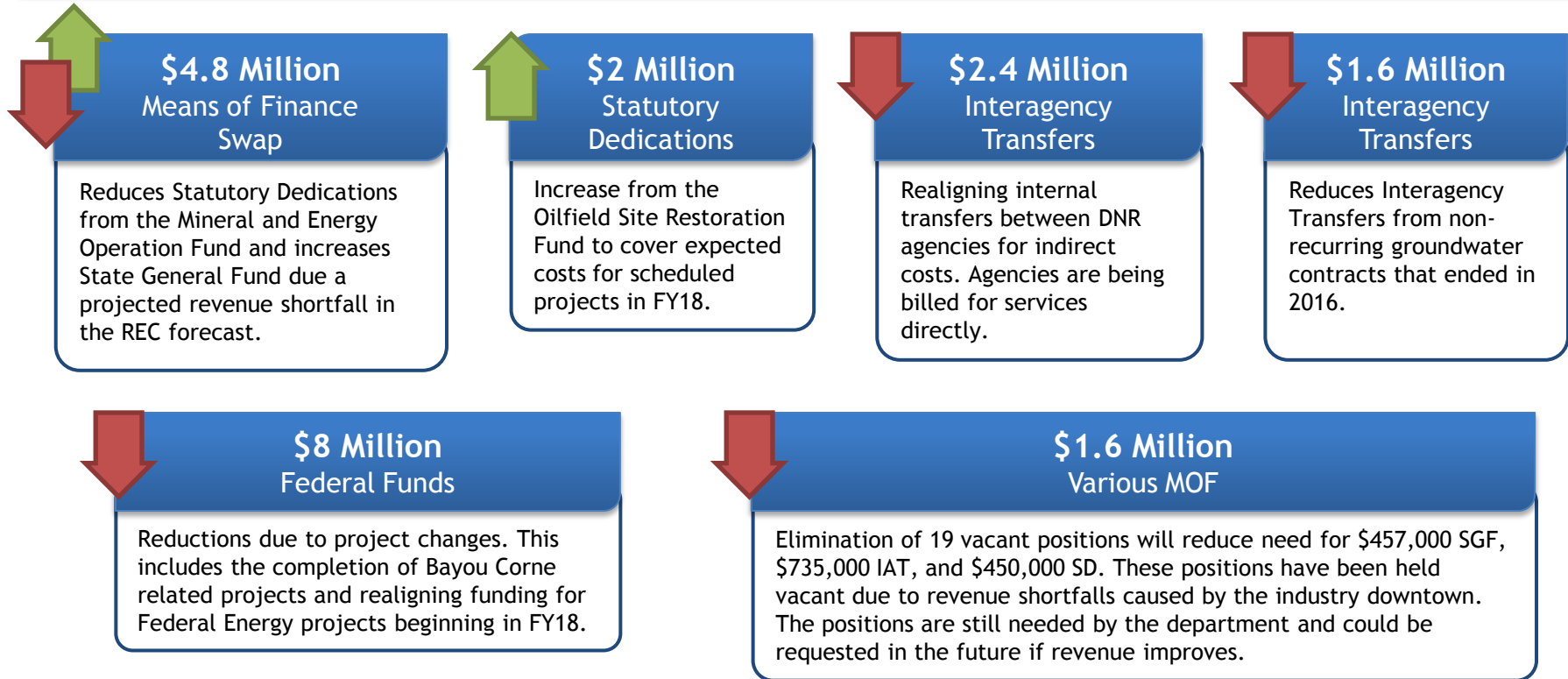
**2<sup>nd</sup> Deficit  
(\$37,499)**

(\$12,500) - SGF  
Office of the Secretary  
reduced from Travel  
expenditures.

(\$24,999) - Stat Ded  
Office of Conservation  
reduced from the Oil &  
Gas Regulatory Fund  
and Underwater  
Obstruction Removal  
Fund.

These comparisons are to the Existing Operating Budget at March 1, 2017 which includes all adjustments since December 1, 2016 including the two mid-year deficit reductions.

# SIGNIFICANT ADJUSTMENTS



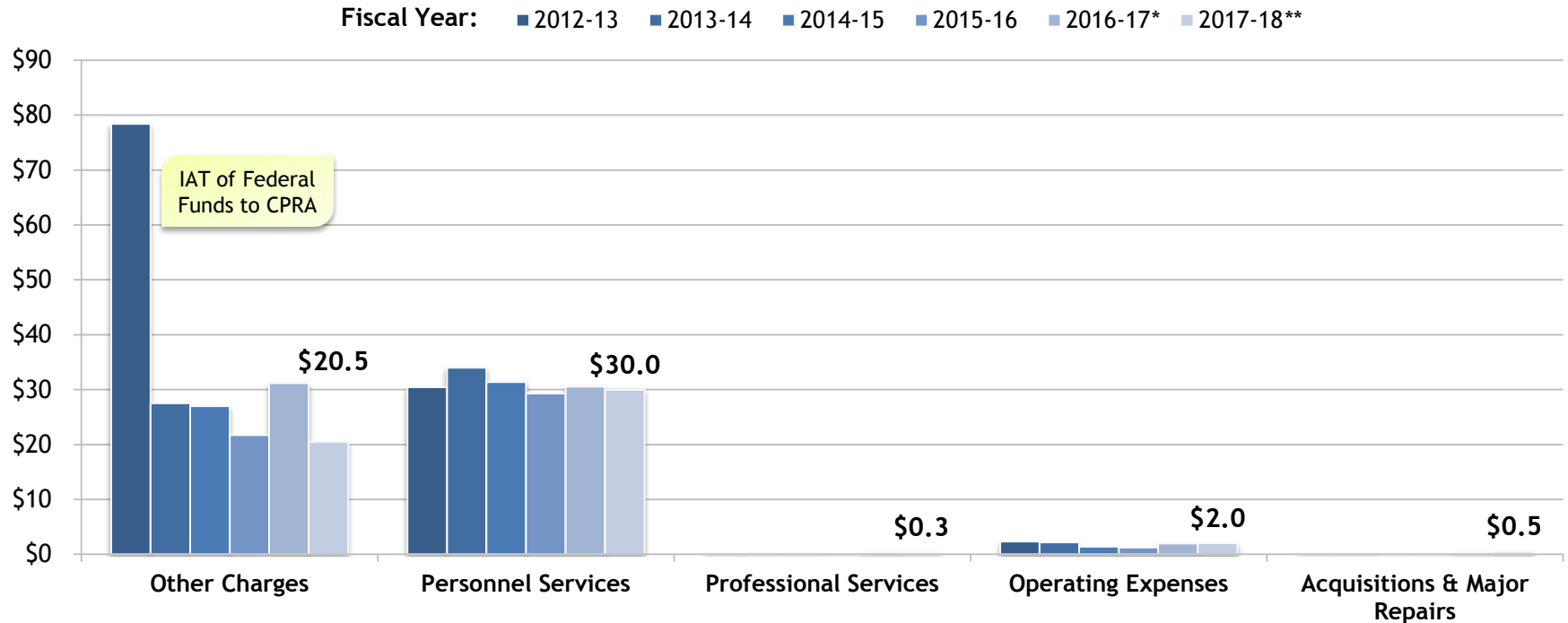
# EXPENDITURE BREAKDOWN

Expenditure	FY 15-16 Prior Year Actual Expenditures	FY 16-17 Existing Operating Budget*	FY 17-18 Executive Budget Recommendation	\$ Change from Existing	% Change from Existing
Salaries	\$18,541,502	\$19,540,935	\$18,523,049	(\$1,017,886)	(5.2%)
Other Compensation	\$120,021	\$287,905	\$274,070	(\$13,835)	(4.8%)
Related Benefits	\$10,642,714	\$10,726,964	\$11,158,135	\$431,171	4.0%
Travel	\$185,745	\$301,991	\$335,244	\$33,253	11.0%
Operating Services	\$777,715	\$1,156,953	\$1,088,873	(\$68,080)	(5.9%)
Supplies	\$275,891	\$530,925	\$573,580	\$42,655	8.0%
Professional Services	\$107,484	\$357,151	\$341,296	(\$15,855)	(4.4%)
Other Charges	\$21,709,869	\$31,170,646	\$20,506,121	(\$10,664,525)	(34.2%)
Acq/Major Repairs	\$282	\$324,000	\$469,656	\$145,656	45.0%
<b>Total Expenditures</b>	<b>\$52,361,223</b>	<b>\$64,397,470</b>	<b>\$53,270,024</b>	<b>(\$11,127,446)</b>	<b>(17.3%)</b>
Authorized Positions	324	331	312	(19)	(5.7%)

Source: Executive Budget Supporting Documents

\*Existing Operating Budget as of 12/1/16

# EXPENDITURE HISTORY



Source: Executive Budget Supporting Documents

\*Existing Operating Budget as of 12/1/16  
\*\*Governor's Executive Budget Recommendation



# OTHER CHARGES

AMOUNT	DESCRIPTION
\$6,065,602	Interagency Transfers for Statewide Services
\$5,298,829	IAT Internal/Indirect Costs
\$5,801,934	Oilfield Site Restoration
\$402,644	Fisherman's Gear Compensation Program
\$377,000	Federal Energy Settlement Program
\$345,000	Local Coastal Programs
\$293,181	Pipeline Safety
\$288,053	Court Reporting Services & Other Legal Services
\$250,000	Louisiana Underwater Obstruction Removal Program
\$250,000	Water Monitoring/Mgmt. System USGA (Federal)
\$203,313	Energy Efficiency & Renewable Energy Program (Self-Generated)
\$930,565	Remaining Other Charges (17)
<b>\$20,506,121</b>	<b>Total Other Charges</b>

Source: Executive Budget Supporting Documents

# DISCRETIONARY/NON-DISCRETIONARY FUNDING

**TOTAL BUDGET**  
**\$53.3 Million**

**\$9 Million IAT  
Double Count**

**\$44.3  
Million  
Remaining**

**Self Generated  
Revenue  
\$300,000**

**Statutory  
Dedications  
\$22.4 Million**

**Federal Funds  
\$7.4 Million**

**State General Fund  
\$14.1 Million**

**Non Discretionary  
\$1 Million**

**Retiree's Group Insurance  
\$1 Million**

**Discretionary  
\$13.1 Million**

**Office of the Secretary  
\$365,000**

**Office of Conservation  
\$3.1 Million**

**Office of Mineral Resources  
\$9.4 Million**

**Office of Coastal Resources  
\$214,000**

Source: Office of Planning and Budget

# PERSONNEL INFORMATION

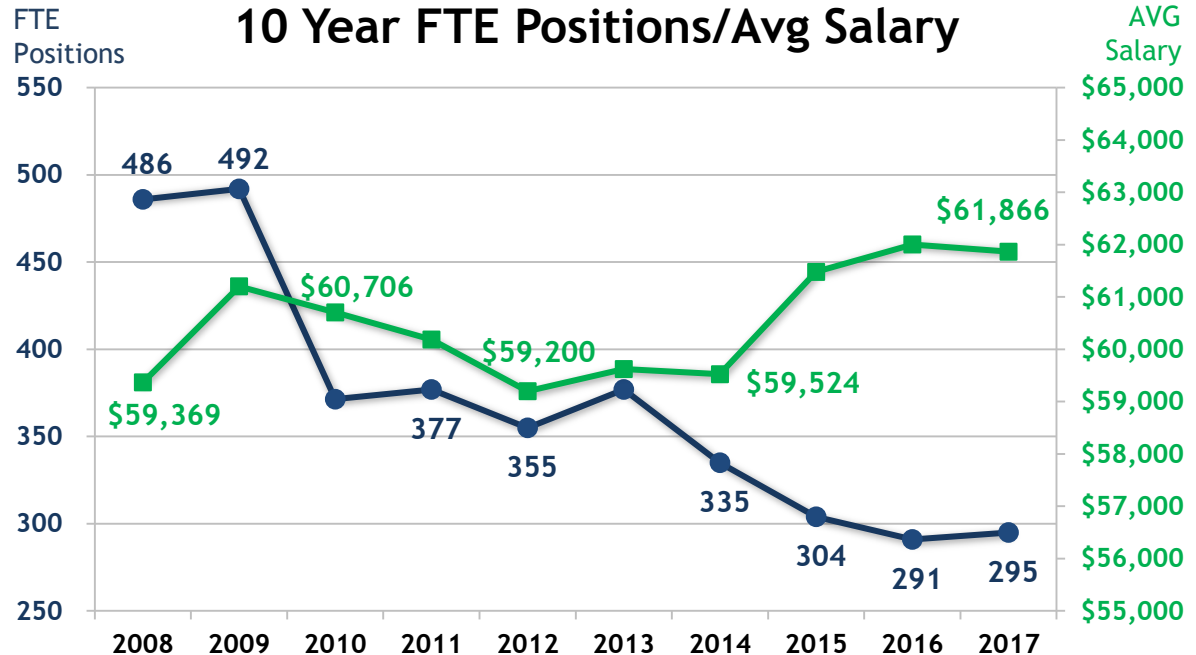
## Personnel/Budget Ratio

\$18.8 M Salaries and Other Comp.  
+ \$11.2 M Related Benefits  
= \$30.0 M Total Personnel Services

**91% of budget expenditures**  
(excluding Other Charges)

## Authorized Positions

- 312 (303 classified and 9 unclassified)
- DNR had 38 vacancies as of 1/27/2017
- 19 vacant positions were eliminated in the Executive Budget Recommendation
- No Other Charges Positions



Source: FTE and Average Salary data provided by the Dept. of Civil Service

# DEPARTMENT CONTACTS



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**Thomas Harris**  
*Secretary*

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*Undersecretary*

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*Assistant Secretary*  
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