

Representative Cameron Henry
Chairman



Representative Franklin Foil
Vice Chairman

FY18-19 Executive Budget Review

Department of Natural Resources

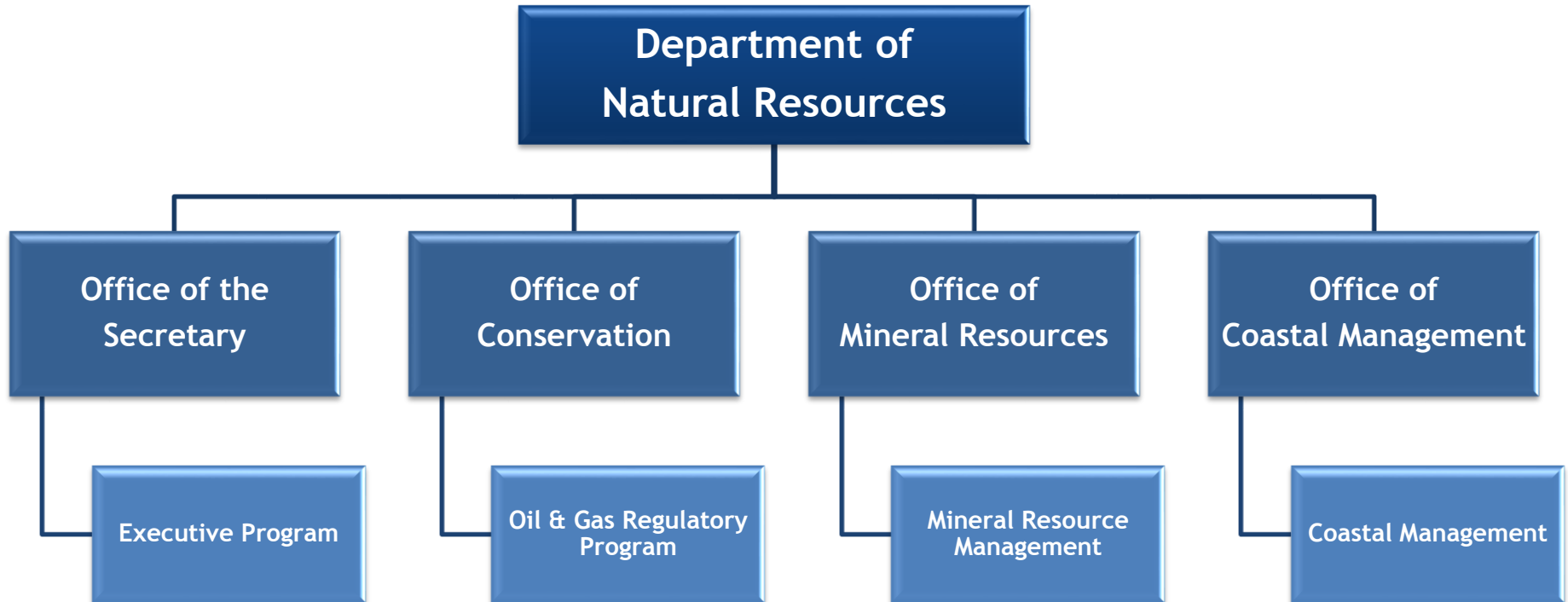
House Committee on Appropriations
Prepared by the House Fiscal Division

March 27, 2018

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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.

Atchafalaya Basin Program

- To conserve and restore the natural habitat of the Atchafalaya Basin and offer opportunities for the public's enjoyment of the basin.
- 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

- 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.

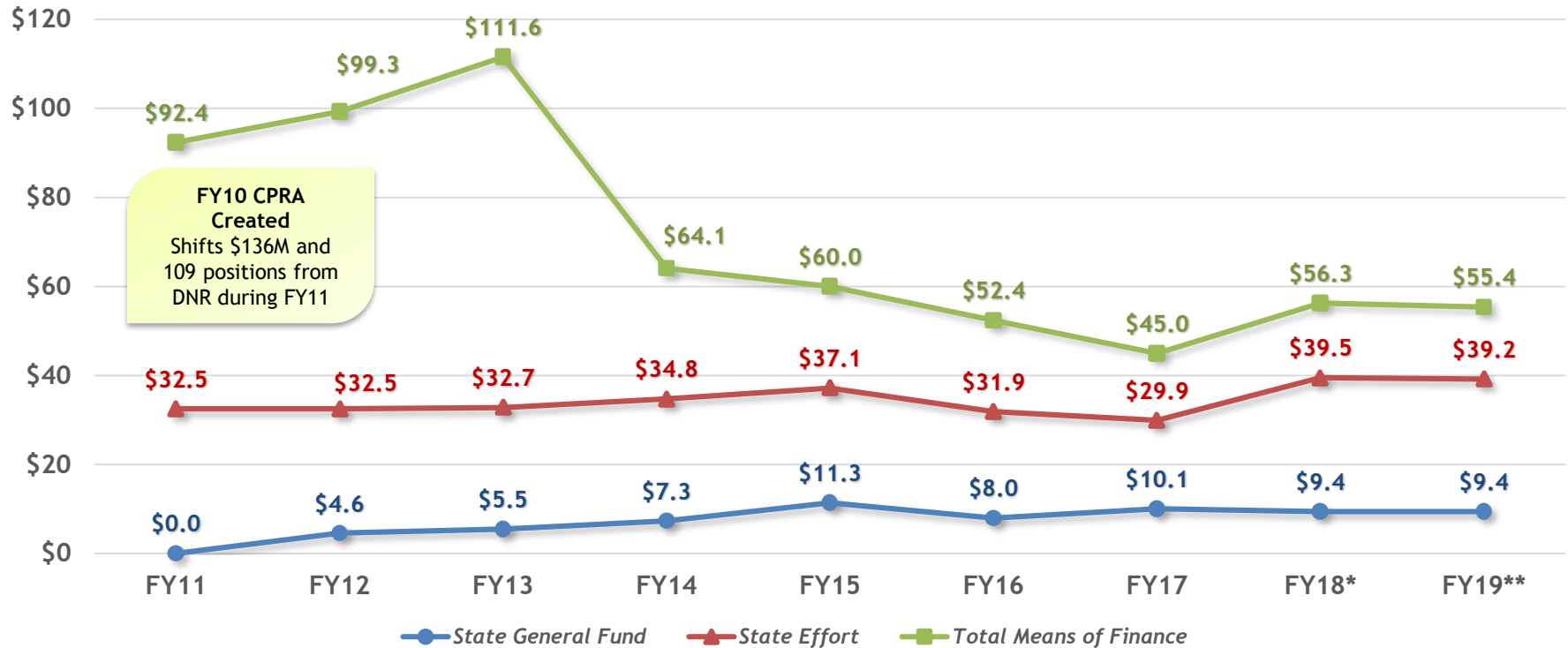
Permits & Mitigation Division

- 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)



Source: Executive Budget Supporting Documents

*Existing Operating Budget as of 12/1/17
**Governor's Executive Budget Recommendation

MAJOR SOURCES OF REVENUE

Statutory Dedications \$29.5 Million

Oil and Gas Regulatory Fund	\$16,296,789
Oilfield Site Restoration Fund	\$6,473,304
Mineral and Energy Operation Fund	\$5,004,326
Fisherman's Gear Compensation Fund	\$632,000
Coastal Resources Trust Fund	\$592,036
Underwater Obstruction Removal Fund	\$250,000
Oil Spill Contingency Fund	\$203,399

Interagency Transfers \$8.8 Million

- **\$5.4 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 \$7.4 Million

- **\$2.2 Million** - Federal Coastal Zone Management Act, Corps of Engineers Geological Review.
- **\$2.8 Million** - U.S. Department of Transportation, Department of the Interior, U.S. Geological Survey, and the Environmental Protection Agency.
- **\$2.3 Million** - Department of Energy to support the State Energy Office.

DEDICATED FUNDS

Fund	Type	Funding Source	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	\$250,000 annual deposit from Fisherman's Gear Fund, other appropriations, grants, donations.	Underwater Obstruction Removal Program

FUNDING OVERVIEW

Means of Financing	FY 16-17 Prior Year Actual Expenditures	FY 17-18 Existing Operating Budget 12/1/2017	FY 18-19 Executive Budget Recommendation	\$ Change from Existing	% Change from Existing
State General Fund	\$10,068,629	\$9,421,017	\$9,417,721	(\$3,296)	(0.0%)
Interagency Transfers	\$8,390,842	\$8,992,160	\$8,816,870	(\$175,290)	(1.9%)
Fees and Self-Gen Rev.	\$167,307	\$318,639	\$318,639	\$0	0.0%
Statutory Dedications	\$19,691,203	\$29,764,163	\$29,451,854	(\$312,309)	(1.0%)
Federal Funds	\$6,646,883	\$7,765,301	\$7,375,181	(\$390,120)	(5.0%)
Total Means of Finance	\$44,964,864	\$56,261,280	\$55,380,265	(\$881,015)	(1.6%)
State Effort	\$29,927,139	\$39,503,819	\$39,188,214	(\$315,605)	(0.8%)



\$175K IAT

Net decrease due to the elimination of the LDWF Atchafalaya Basin Program.



\$312K Dedications

Due to a net decrease in revenue from agreements and lease fees in the Mineral and Energy Operations Fund.



\$390K Federal

Due to a non-recurring federal pipeline inspection grant.

Source: Executive Budget Supporting Documents

SIGNIFICANT FUNDING CHANGES

Amount	MOF	Description
(\$175,290)	IAT	<ul style="list-style-type: none"> • \$250,000 - Increase in transfers from the Department of Wildlife and Fisheries to manage and audit lease activities. • (\$200,000) - Decrease in transfers from the Department of Wildlife and Fisheries due to the elimination of the Atchafalaya Basin Program. • (\$138,238) - Decrease in funding needed for statewide standard adjustments. • (\$87,052) - Means of finance swap that adds general fund to continue administrative functions of the Atchafalaya Basin Program leading up to its elimination.
(\$312,309)	STAT	<ul style="list-style-type: none"> • \$1,904,735 - Increase in funding from the Oil and Gas Regulatory Fund due to a rise in anticipated collections. • (\$1,024,968) - Decrease in funding from the Mineral and Energy Operations Fund from a reduction in lease operating fees. • (\$1,237,548) - Decrease in funding from the Oilfield Site Restoration Fund to align the budget authority with projects in FY19.
(\$434,000)	FED	Grant funds for pipeline suspension. Funds are anticipated to be to be fully expended in FY18.

EXPENDITURE OVERVIEW

Expenditure	FY 16-17 Prior Year Actual Expenditures	FY 17-18 Existing Operating Budget	FY 18-19 Executive Budget Recommendation	\$ Change from Existing	% Change from Existing
Salaries	\$18,174,056	\$19,360,875	\$19,831,076	\$470,201	2.4%
Other Compensation	\$117,298	\$274,070	\$234,916	(\$39,154)	(14.3%)
Related Benefits	\$10,335,352	\$11,821,738	\$11,731,852	(\$89,886)	(0.8%)
Travel	\$195,331	\$375,244	\$380,220	\$4,976	1.3%
Operating Services	\$613,578	\$6,266,222	\$6,562,699	\$296,477	4.7%
Supplies	\$274,667	\$573,580	\$573,580	\$0	0.0%
Professional Services	\$100,249	\$371,296	\$388,154	\$16,858	4.5%
Other Charges	\$14,863,239	\$16,564,817	\$14,829,736	(\$1,735,081)	(10.5%)
Acq/Major Repairs	\$291,094	\$653,438	\$848,032	\$194,594	29.8%
Total Expenditures	\$44,964,864	\$56,261,280	\$55,380,265	(\$881,015)	(1.6%)
Authorized Positions	331	321	308	(13)	(4.0%)

Source: Executive Budget Supporting Documents

*Existing Operating Budget as of 12/1/17

SIGNIFICANT EXPENDITURE CHANGES

\$341,161 - Personal Services

Net increase to fund statewide standard adjustments including salary base adjustment, annualization of the 2% increase, market rate adjustment, and related benefits. Also includes reductions from position eliminations and attrition projections.

(\$1,735,081) - Other Charges

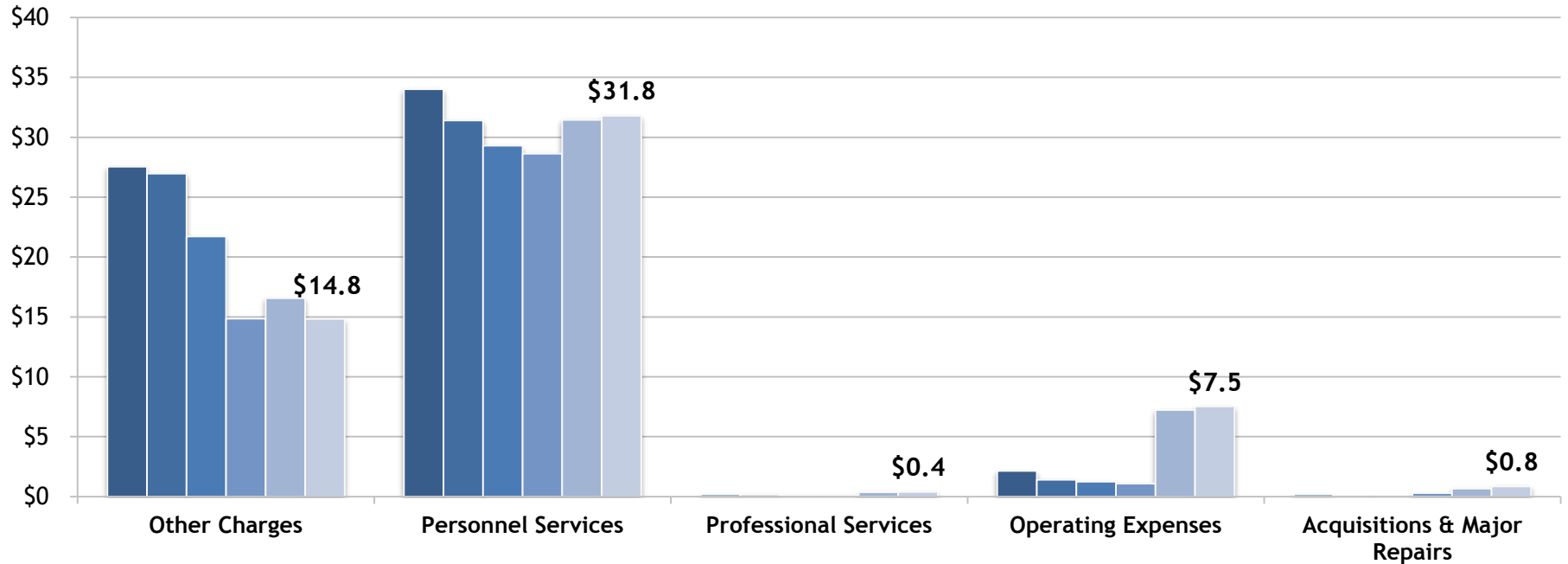
- **(\$1,236,827)** - Non-recurring carryforward expenses related to Oilfield Site Restoration projects.
- **(\$512,087)** - Shifting Oilfield Site Restoration expenses to the Operating Services category.
- **(\$520,267)** - Non-recurring federal grant funding used for pipeline suspension projects. Funds are projected to be expended in FY18.
- **(\$701,698)** - Realigning grants to proper expenditure categories (Salaries, Related Benefits, Acquisitions).
- \$1,086,189 - Net increase in statewide interagency transfers for services and interdepartmental transfers within DNR.

\$194,594 - Acquisitions and Major Repairs

Funding for replacement vehicles, trailers, and ATVs in the Office of Conservation for use with field inspection activities.

EXPENDITURE HISTORY (IN MILLIONS)

Fiscal Year: ■ 2013-14 ■ 2014-15 ■ 2015-16 ■ 2016-17 ■ 2017-18 EOB* ■ 2018-19 REC**



Source: Executive Budget Supporting Documents

*Existing Operating Budget as of 12/1/17
**Governor's Executive Budget Recommendation

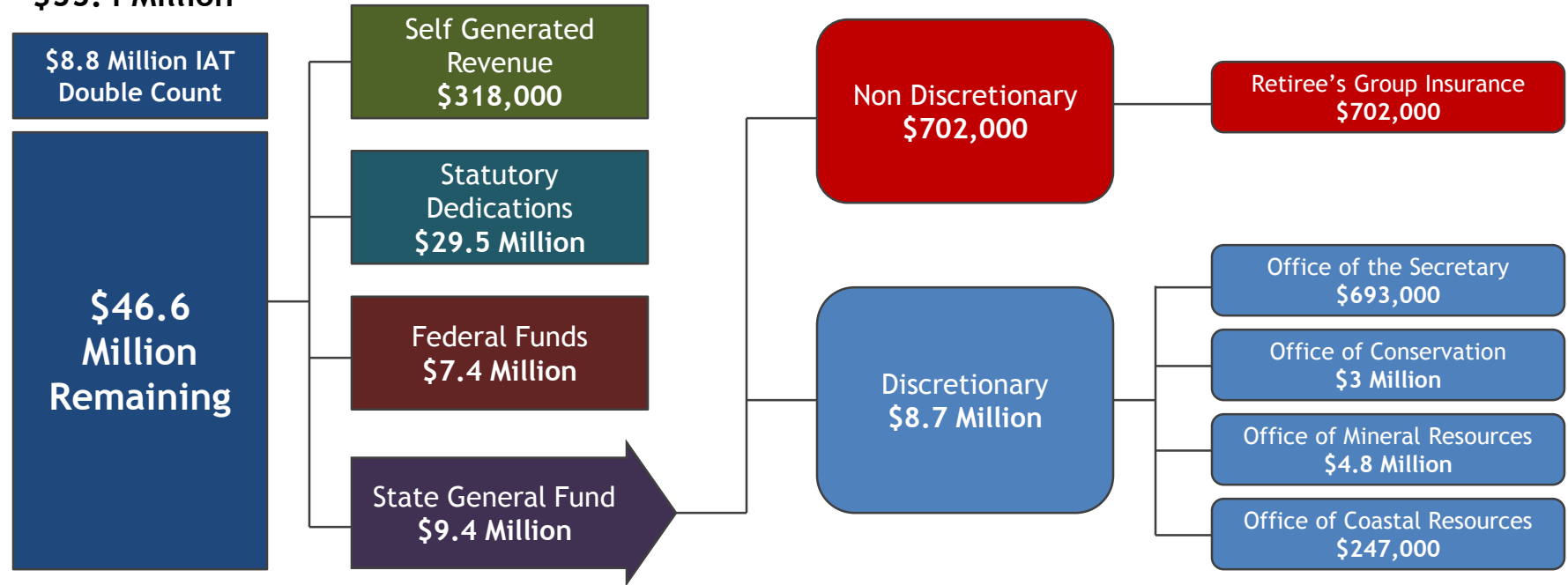
OTHER CHARGES

Amount	Description
\$12,450,620	Interagency Transfers (Statewide services, Interdepartmental transfers, Other state agencies)
\$888,915	Oilfield Site Restoration
\$421,710	Fisherman's Gear Fund Claims
\$333,998	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
\$14,829,736	Total Other Charges

Source: Executive Budget Supporting Documents

DISCRETIONARY/NON-DISCRETIONARY FUNDING

TOTAL BUDGET
\$55.4 Million



Source: Office of Planning and Budget

PERSONNEL INFORMATION

Personnel/Budget Ratio

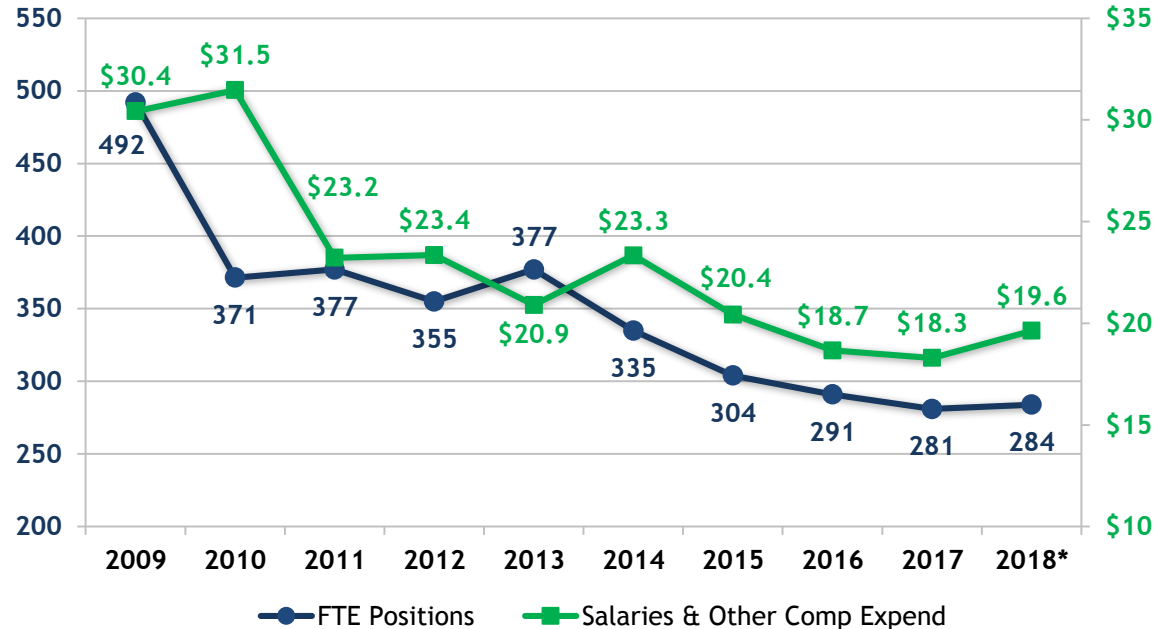
\$20.1	M	Salaries and Other Comp.
+ \$11.7	M	Related Benefits
= \$31.8	M	Total Personnel Services

78% of budget expenditures
(excluding Other Charges)

Authorized Positions

- 308 (300 classified and 8 unclassified)
- DNR had 42 vacancies as of 12/25/2017
- Executive Budget recommends elimination of 13 positions.
- No Other Charges Positions

10 Year FTE Positions/Salaries Expended



*Existing Operating Budget 12/1/17

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

DEPARTMENT CONTACTS



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