

Louisiana Senate Finance Committee



FY21 Proposed Budget

11 – Natural Resources

June 2020

*Senator Patrick Page Cortez, President
Senator Bodi White, Chairman*

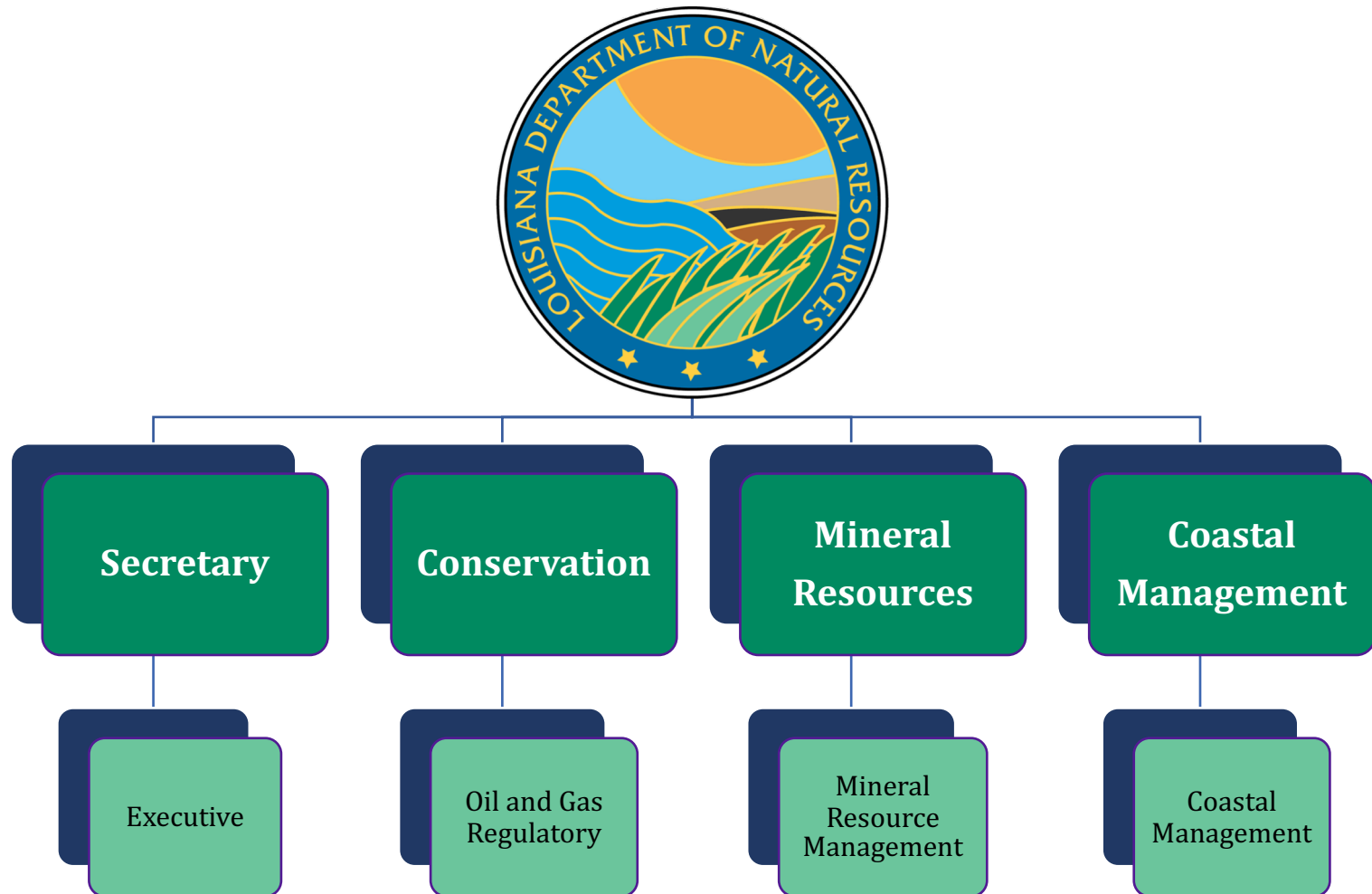




FY21 Proposed Budget

Schedule 11 — Natural Resources Agencies

Departmental mission — “To ensure and promote sustainable and responsible use of the natural resources of the state,” particularly non-renewable resources such as oil, gas, and coal, and renewable resources such as solar energy.





Department of Natural Resources Offices of the Secretary and Conservation

Office of the Secretary



• Executive Program

- Home of the departmental secretary, executive counsel, undersecretary, and internal auditor.
- Also includes Legal, Public Information, and Technology Assessment duties.
- Provides leadership, guidance, and coordination to ensure consistency within the department as well as externally.
- Responsibilities include administration, accounting, budget, grants management, program analysis, and internal auditing, among other duties.
- Maintains and updates SONRIS, which is the online, searchable departmental database and imaging system.

Office of Conservation



• Oil and Gas Regulatory Program

- The Department of Conservation was originally created in 1912 and was later incorporated into the present day Department of Natural Resources.
- Home of the commissioner of conservation and managing staff.
- Administers the conservation and development of the non-renewable natural resources in the state, while seeking to minimize negative environmental impact.
- Responsibilities include administration of regulatory programs for oil and natural gas wells, pipelines, drilling, and mining, as well as inspections, ground water management, and other duties.
- Administers the Oilfield Site Restoration Program and the Underwater Obstruction Removal Program.



Department of Natural Resources

Offices of Mineral Resources and Coastal Management

Office of Mineral Resources



- Mineral Resource Management Program

- Home of the State Mineral and Energy Board and administrative staff.
- Includes three divisions — Executive; Geology, Engineering, and Lands; and Mineral Income.
- The Executive Division manages overall office operations, staffs the Mineral and Energy Board, and manages professional services contracts and issues non-exclusive seismic permits.
- The Geology, Engineering, and Lands Division provides expertise in geology, geophysics, and engineering, also performs the mineral leasing function for the board.
- The Mineral Income Division performs auditing, collection, and accounting functions for the board on mineral leasing activity and production.

Office of Coastal Management



- Coastal Management Program

- Implements the Louisiana Coastal Resources Program (LCRP), which was established in 1978.
- The LCRP is the state's federally approved coastal zone management program, which oversees coastal use permits.
- Seeks to achieve a no-net-loss wetlands conservation policy in accordance with the State and Local Coastal Resources Management Act and the Coastal Wetlands Conservation Plan.
- The office is also responsible for compensation to commercial fishermen for losses to equipment or vessels damaged as a result of striking underwater obstructions from oil and gas activity within the Louisiana Coastal Zone.

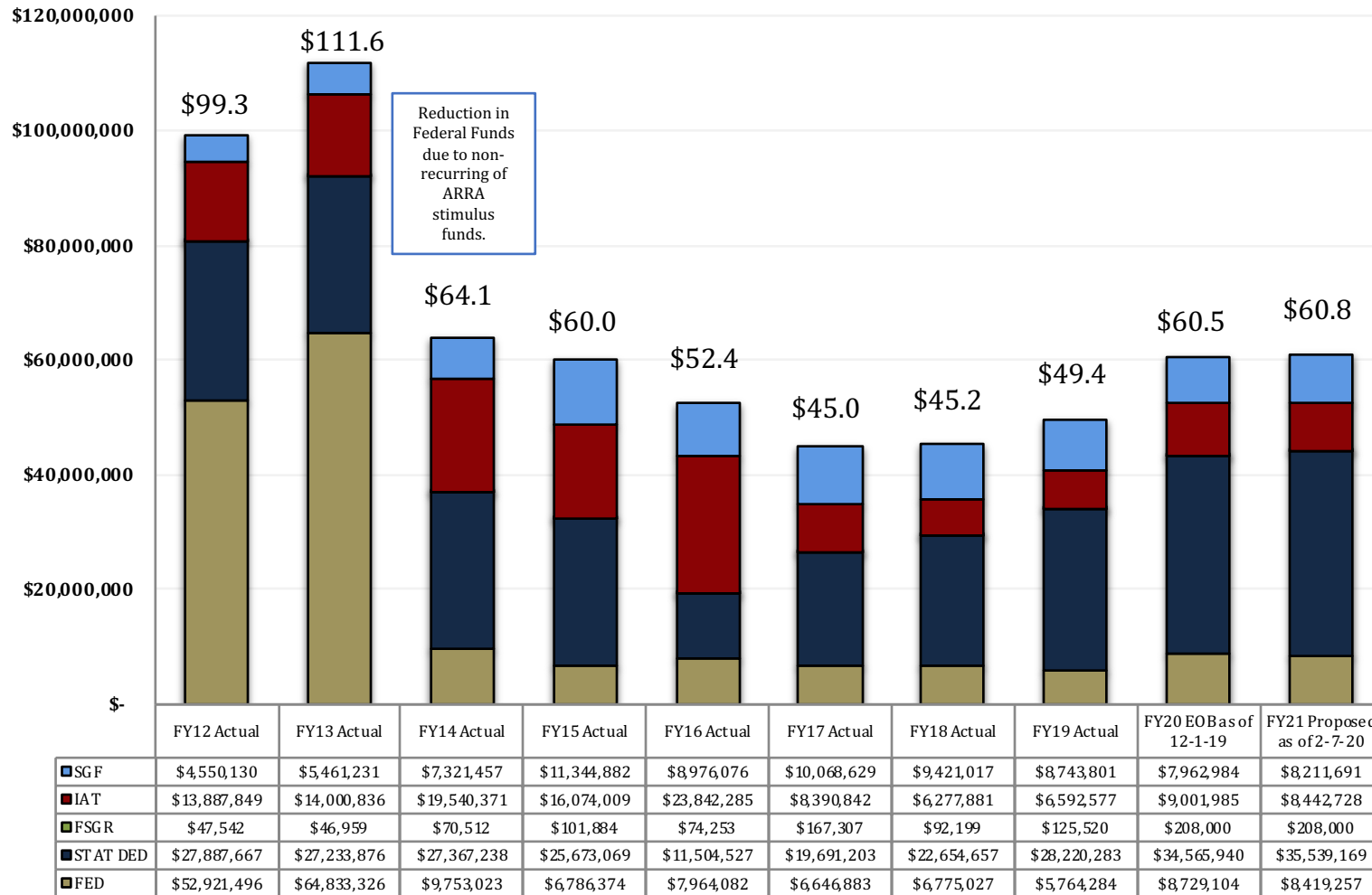


Natural Resources

Changes in Funding since FY12

Total Budget by Fiscal Year and Means of Finance
(in \$ millions)

Change from FY12
to FY21 is -38.8%.



Interim Updates

August 2019
JLCB —
\$38,838 total in
Carryforward
BA-7s approved.

January 2020
JLCB —
\$6 million out of
the Oilfield Site
Restoration Fund
to plug 14 urgent
or high-priority
wells.



Natural Resources

Statewide Adjustments Proposed for FY21

State General Fund (Direct)	Interagency Transfers	Fees and Self-generated Revenues	Statutory Dedications	Federal Funds	Total	T.O.	Adjustment
\$7,962,984	\$9,001,985	\$208,000	\$34,565,940	\$8,729,104	\$60,468,013	311	FY20 Existing Operating Budget as of 12-1-19
\$0	\$355,824	\$0	\$310,828	\$0	\$666,652	0	Market Rate Salary Adjustment – Classified
\$0	\$12,692	\$0	\$56,114	\$0	\$68,806	0	Unclassified Pay Increase
\$0	(\$14,238)	\$0	\$534,305	\$0	\$520,067	0	Civil Service Training Series Adjustment
\$0	(\$17,405)	\$0	(\$100,388)	\$0	(\$117,793)	0	Related Benefits Base Adjustment
\$0	\$8,996	\$0	\$58,350	\$0	\$67,346	0	Retirement Rate Adjustment
\$0	\$6,586	\$0	\$71,389	\$0	\$77,975	0	Group Insurance Rate Adjustment for Active Employees
\$0	\$228,879	\$0	\$80,307	\$0	\$309,186	0	Group Insurance Rate Adjustment for Retirees
\$0	(\$47,647)	\$0	(\$884,157)	\$0	(\$931,804)	0	Salary Base Adjustment
\$0	\$0	\$0	\$0	\$0	\$0	0	Attrition Adjustment
\$0	\$0	\$0	\$61,928	\$70,250	\$132,178	0	Acquisitions and Major Repairs
\$0	\$0	\$0	(\$137,755)	(\$62,832)	(\$200,587)	0	Non-recurring Acquisitions and Major Repairs
\$0	\$0	\$0	(\$69,680)	(\$123,369)	(\$193,049)	0	Non-recurring Carryforwards
(\$4,421)	(\$2,445)	\$0	(\$12,551)	(\$879)	(\$20,296)	0	Risk Management
\$10,880	\$27,116	\$0	\$22,091	\$0	\$60,087	0	Legislative Auditor Fees
\$5,082	\$0	\$0	(\$37,823)	\$0	(\$32,741)	0	Rent in State-owned Buildings
(\$214)	(\$17)	\$0	(\$702)	(\$59)	(\$992)	0	Maintenance in State-owned Buildings
\$671	\$949	\$0	\$1,537	\$79	\$3,236	0	Capitol Park Security
\$232	\$18	\$0	\$761	\$64	\$1,075	0	Capitol Police
(\$192)	(\$188)	\$0	(\$541)	(\$33)	(\$954)	0	UPS Fees
\$3,528	\$0	\$0	\$11,519	\$0	\$15,047	0	Civil Service Fees
(\$3,590)	\$0	\$0	(\$2,901)	\$0	(\$6,491)	0	State Treasury Fees
\$540,890	\$0	\$0	\$499	\$0	\$541,389	0	Office of Technology Services (OTS)
(\$36,496)	\$0	\$0	\$0	\$0	(\$36,496)	0	Administrative Law Judges
(\$7,202)	\$2,751	\$0	\$0	\$0	(\$4,451)	0	Office of State Procurement
(\$71,671)	\$0	\$0	\$0	\$0	(\$71,671)	0	Topographic Mapping
\$437,497	\$570,081	\$0	\$16,379	(\$116,779)	\$907,178	0	Total Statewide Adjustments
\$0	(\$606,170)	\$0	\$606,170	\$0	\$0	0	Total Means of Financing Substitution Adjustments
(\$188,790)	(\$523,168)	\$0	\$350,680	(\$193,068)	(\$554,346)	0	Total Other Adjustments
\$8,211,691	\$8,442,728	\$208,000	\$35,539,169	\$8,419,257	\$60,820,845	311	Total FY21 Proposed Budget
\$248,707	(\$559,257)	\$0	\$973,229	(\$309,847)	\$352,832	0	Total Adjustments (Statewide and Agency-Specific)



Natural Resources

Non-Statewide Adjustments for FY21

Means of Financing Substitutions

State General Fund (Direct)	Interagency Transfers	Fees and Self-generated Revenues	Statutory Dedications	Federal Funds	Total	T.O.	Adjustment
\$0	(\$606,170)	\$0	\$606,170	\$0	\$0	0	Secretary - Executive — Means of finance substitution replacing Interagency Transfers with Statutory Dedications out of the Oilfield Site Restoration Fund. Interagency Transfers is able to be reduced because operating expenses are able to be covered by the Statutory Dedication. This results in the Office of the Secretary having to rely less on the other agencies in the department transferring funds for administrative functions.
\$0	(\$606,170)	\$0	\$606,170	\$0	\$0	\$0	Total MOF Substitutions

Other Adjustments

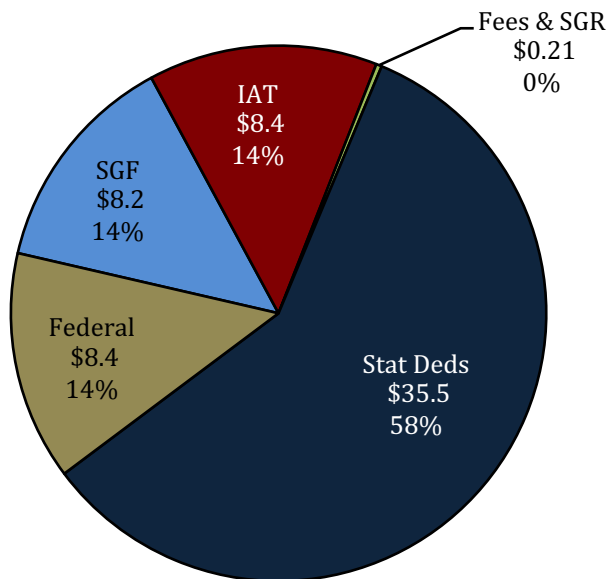
State General Fund (Direct)	Interagency Transfers	Fees and Self-generated Revenues	Statutory Dedications	Federal Funds	Total	T.O.	Adjustment
\$0	\$0	\$0	\$2,036,555	\$0	\$2,036,555	0	Secretary - Executive — Increase in Statutory Dedications out of the Oilfield Site Restoration Fund. The budget adjustment is needed to fund the additional Oilfield Site Restoration projects planned for FY21 and will be funded from a balance in the Fund.
\$0	\$0	\$0	\$0	(\$214,481)	(\$214,481)	0	Secretary - Executive — Reduction of excess budget authority due to projections of the number of projects to be completed within the State Energy program for FY21.
(\$30,685)	0	\$0	\$0		(\$30,685)	0	Secretary - Executive — Reductions resulting in applying more attrition to Personal Services.
\$0	(\$329,949)	0	\$0	\$0	(\$329,949)	(3)	Secretary - Executive — This adjustment is transferring three (3) vacant classified positions. The functions for these positions will be taken up by other positions within this agency. These positions will be transferred to the other agencies within the department to help achieve performance goals in each of the Offices in their respective functions.
(\$62,233)	0	\$0	\$0	\$0	(\$62,233)	0	Conservation - Oil and Gas Regulatory — Reductions resulting in applying more attrition to Personal Services.
\$0	\$0	\$0	\$0	\$0	\$0	1	Conservation - Oil and Gas Regulatory — This adjustment is transferring a vacant position from the Office of the Secretary to the Office of Conservation and will be reclassified as a Conservation Enforcement Specialist position. This position is responsible for statewide inspections and will perform highly advanced technical inspections of jurisdictional intrastate pipelines facilities. Funding for this position will be moved from IAT expenditures that will no longer be transferred to the Office of the Secretary.
\$0	\$0	\$0	(\$856,604)	\$0	(\$856,604)	0	Conservation - Oil and Gas Regulatory — This adjustment reduces Statutory Dedications out of the Oil and Gas Regulatory Fund due to reductions in legal contracts that have been completed and reductions in IAT expenditures to reflect historical expenditure levels.
\$0	\$0	\$0	\$42,899	\$21,413	\$64,312	0	Conservation - Oil and Gas Regulatory — This funding will provide for the replacement of computers, software, scanner and printers to assist staff with inspections and will be purchased through the Office of Technology Services.
\$0	\$0	\$0	(\$900,106)	\$0	(\$900,106)	0	Mineral Resources - Mineral Resources Management — Reduction to Statutory Dedications out of the Mineral and Energy Resource Fund from Interagency Transfers Expenditure Category to reflect historical spending level that was budgeted for transfer to the Office of the Secretary for administrative costs.
(\$92,019)	\$0	\$0	\$0	\$0	(\$92,019)	0	Mineral Resources - Mineral Resources Management — Reductions resulting in applying more attrition to Personal Services.
\$0	\$0	\$0	\$107,136	\$0	\$107,136	1	Mineral Resources - Mineral Resources Management — This adjustment is transferring a vacant position from the Office of the Secretary to the Office of Mineral Resources and will be reclassified as an Auditor 3 position. This position will be responsible for the auditing of companies in the oil industry to insure compliance with contractual terms contained in mineral lease agreements and accounting for revenue/royalty payments related thereto.
(\$3,853)	\$0	\$0	\$0	\$0	(\$3,853)	0	Coastal Management - Coastal Restoration Management — Reductions resulting in the deferring of supply purchases.
\$0	\$0	\$0	\$0	\$0	\$0	1	Coastal Management - Coastal Restoration Management — This adjustment is transferring a vacant position from the Office of the Secretary to the Office of Coastal Management and will be reclassified as a Coastal Resources Scientist position. This position will be responsible for biological field investigations and enforcement monitoring activities within the LA Coastal Zone to ensure and maintain compliance with the LA State and Local Coastal Resources Act 361. Funding for this position will be moved from IAT expenditures that will no longer be transferred to the Office of the Secretary.
\$0	(\$193,219)	\$0	(\$79,200)	\$0	(\$272,419)	0	Coastal Management - Coastal Restoration Management — This is a reduction to contracts associated with the Coastal Use Permit regulatory process that will no longer be needed and the functions will be carried out by Office of Coastal Management staff. There is also a reduction to IAT expenses to reflect historical expenditure levels.
(\$188,790)	(\$523,168)	\$0	\$350,680	(\$193,068)	(\$554,346)	0	Total Other Adjustments



Natural Resources

FY21 Proposed Means of Finance

**FY21 Proposed
Total Means of Finance
(In Millions)**



Total \$60.8 m.

Non-SGF Sources of Funding:

Dedicated Funds are the largest non-SGF funding source. They are derived from the ...

Fisherman's Gear Compensation Fund,
Oilfield Site Restoration Fund,
Oil and Gas Regulatory Fund,
Underwater Obstruction Removal Fund,
Mineral and Energy Operation Fund,
Coastal Resources Trust Fund, and
Oil Spill Contingency Fund.

Interagency Transfers are derived from several state agencies, including the Division of Administration, Workforce Commission, and DEQ for certain operating expenses, and from Wildlife and Fisheries to manage and audit lease activity.

Federal sources are the Federal Energy Settlement Funds (Stripper Well, Warner, and Exxon); the U.S. Departments of Transportation, Interior, Energy, and the Environmental Protection Agency; the Minerals Management/MMS grant; and the Administration of Coastal Management Grant Section 306 of the Federal Coastal Zone Management ACT (CZMA) of 1972 as Amended; and the Coastal Management Grant Section 309.

Fees and Self-generated Revenues are derived from fees charged for home energy audits (computed at \$50 per hour with a minimum of \$200 per audit), Insurance Recovery, and sale of Data/Home Energy Loan Program (HELP).



Natural Resources Dedicated Funds

Dedicated Funds	Source of Funding	FY19 Actual	FY20 EOB as of 12-1-19	FY21 Proposed
Coastal Resources Trust Fund	Fees/Federal Revenue Sharing	\$400,069	\$917,368	\$751,113
Fisherman's Gear Compensation Fund	Fees from oil and gas lease holders	\$493,940	\$632,000	\$632,000
Mineral and Energy Operation Fund	Judgments/Settlements/Fees/Other Sources	\$2,094,041	\$5,305,512	\$4,776,933
Oil and Gas Regulatory Fund	Fees/Fines/Civil Penalties/Annual Assesments on Inactive, Unplugged Wells	\$15,126,436	\$17,337,061	\$16,266,859
Oil Spill Contingency Fund	Fees/Taxes/Penalties/Judgments/Reimbursements/ Charges/Federal Funds	\$172,224	\$203,399	\$203,399
Oilfield Site Restoration Fund	Annual Assesments on Inactive, Unplugged Wells	\$9,683,573	\$9,820,600	\$12,558,865
Underwater Obstruction Removal Fund	Private contributions/ Interest/Grants/Donations/ Allocations/R.S. 56:700.2(A)(4)	\$250,000	\$350,000	\$350,000
TOTALS		\$28,220,283	\$34,565,940	\$35,539,169

2018 Dedicated Fund Review Subcommittee recommendation and *any subsequent legislative action taken during the 2018 Regular Session:*

Coastal Resources Trust Fund = No change

Mineral and Energy Operation Fund = No change

2019 Dedicated Fund Review Subcommittee:

Oil Spill Contingency Fund = No change



Natural Resources

FY20 EOB vs. FY21 Proposed Comparison

FY20 EOB Total MOF by Agency	SGF	IAT	FSGR	Stat Deds	Federal	Total
Office of the Secretary	\$885,758	\$4,266,439	\$150,000	\$10,452,600	\$3,123,797	\$18,878,594
Conservation	\$2,813,399	\$961,060	\$19,000	\$17,687,061	\$3,183,852	\$24,664,372
Mineral Resources	\$4,096,036	\$575,000	\$20,000	\$5,305,512	\$0	\$9,996,548
Coastal Management	\$167,791	\$3,199,486	\$19,000	\$1,120,767	\$2,421,455	\$6,928,499
TOTALS	\$7,962,984	\$9,001,985	\$208,000	\$34,565,940	\$8,729,104	\$60,468,013
FY21 Proposed Total MOF by Agency	SGF	IAT	FSGR	Stat Deds	Federal	Total
Office of the Secretary	\$1,334,683	\$3,353,864	\$150,000	\$13,190,865	\$2,959,316	\$20,988,728
Conservation	\$2,706,915	\$1,459,783	\$19,000	\$16,616,859	\$3,038,486	\$23,841,043
Mineral Resources	\$4,002,514	\$575,260	\$20,000	\$4,776,933	\$0	\$9,374,707
Coastal Management	\$167,579	\$3,053,821	\$19,000	\$954,512	\$2,421,455	\$6,616,367
TOTALS	\$8,211,691	\$8,442,728	\$208,000	\$35,539,169	\$8,419,257	\$60,820,845
<i>Difference FY20 Enacted to FY21 Proposed</i>	<i>\$248,707</i>	<i>(\$559,257)</i>	<i>\$0</i>	<i>\$973,229</i>	<i>(\$309,847)</i>	<i>\$352,832</i>

In terms of overall funding from FY20 EOB to FY21 Proposed, DNR showed a modest increase of 0.6 percent.

That increase is found in the Office of the Secretary, which grew from \$18.9 million at FY20 EOB to nearly \$21 million for FY21 Proposed, a rise of 11 percent.

Otherwise, the remaining agencies in the department all decreased — the Office of Conservation by 3.6 percent; the Office of Mineral Resources by over 5 percent; and Coastal Management by over 4 percent.

State General Fund and Statutory Dedications both increased — \$248,707 and \$973,229 respectively. Interagency Transfers decreased by (\$559,257) while Federal Funds dropped by (\$309,847). Fees and Self-generated Revenues were unchanged.



Natural Resources Expenditures

FY19, FY20, and FY21

Expenditure Category	FY19 Actual	FY20 EOB (as of 12-01-19)	FY21		Difference FY20 to FY21
			Proposed Budget	Category as Percent of Total	
Personal Services:	\$29,013,222	\$33,772,737	\$34,283,290	56.37%	\$510,553
Salaries	\$17,948,612	\$20,463,554	\$20,700,966	34.04%	\$237,412
Other Compensation	\$124,998	\$334,916	\$264,944	0.44%	(\$69,972)
Related Benefits	\$10,939,612	\$12,974,267	\$13,317,380	21.90%	\$343,113
Operating Expenses:	\$9,875,741	\$11,170,504	\$12,876,019	21.17%	\$1,705,515
Travel	\$322,529	\$449,563	\$455,610	0.75%	\$6,047
Operating Services	\$9,262,516	\$10,193,350	\$11,896,671	19.56%	\$1,703,321
Supplies	\$290,696	\$527,591	\$523,738	0.86%	(\$3,853)
Professional Services	\$259,326	\$878,976	\$419,397	0.69%	(\$459,579)
Other Charges:	\$9,903,114	\$14,252,160	\$13,109,961	21.56%	(\$1,142,199)
Other Charges	\$1,287,823	\$2,939,199	\$2,308,945	3.80%	(\$630,254)
Debt Service	\$0	\$0	\$0	0.00%	\$0
Interagency Transfers	\$8,615,291	\$11,312,961	\$10,801,016	17.76%	(\$511,945)
Acquisitions & Major Repairs:	\$395,062	\$393,636	\$132,178	0.22%	(\$261,458)
Acquisitions	\$395,062	\$393,636	\$132,178	0.22%	(\$261,458)
Major Repairs	\$0	\$0	\$0	0.00%	\$0
Total Expenditures	\$49,446,465	\$60,468,013	\$60,820,845	100.00%	\$352,832

Other Charges — The largest sources of *Other Charges* expenditures include internal transfers within DNR agencies (\$4.8 m.); Office of Technology Services expenses (\$2.8 m.); Rent (\$1.2 m.); and Federal Energy Settlement Grant Matching and Energy projects (\$561,000).



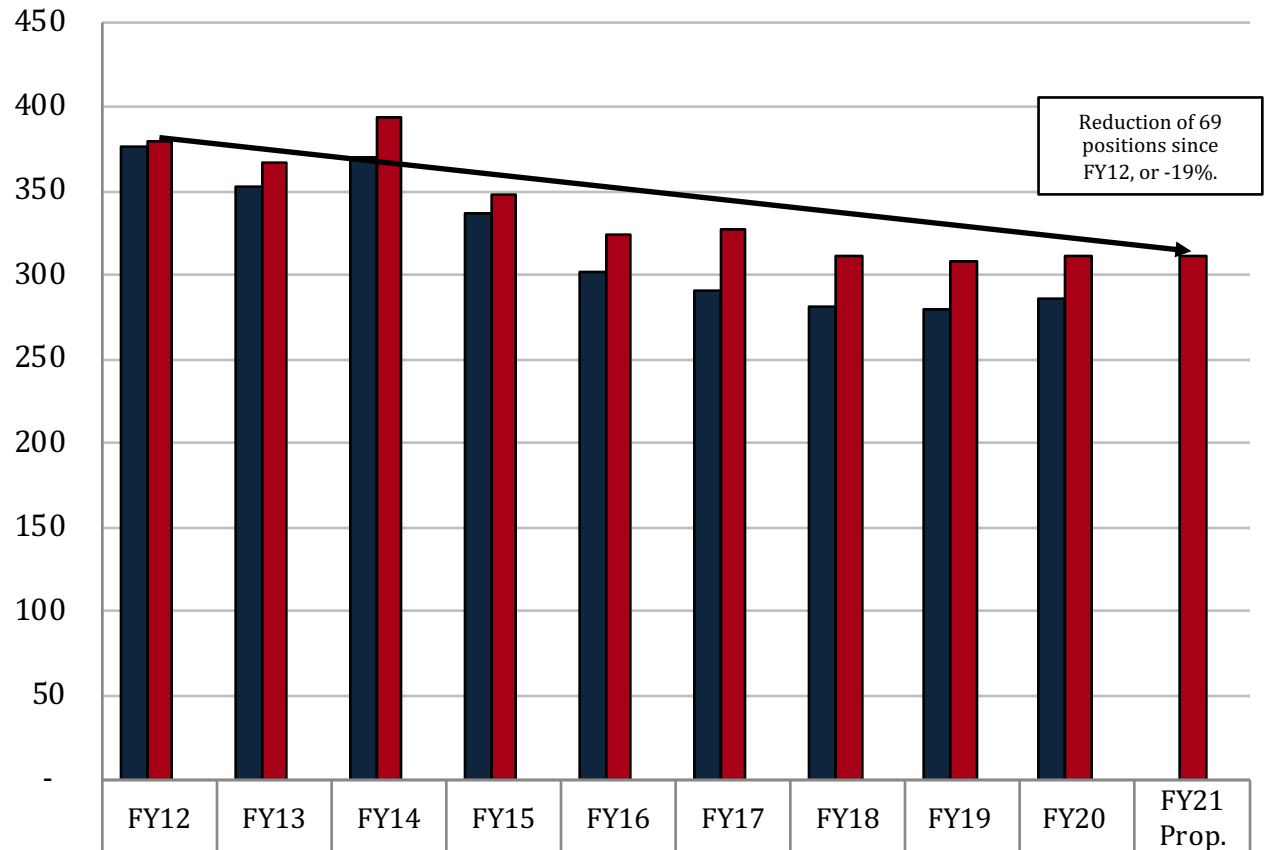
Natural Resources

FTEs, Authorized Positions, and Other Charges Positions

Total FY21 Proposed Authorized Positions of 311 are 0.91% of Total State FY21 Proposed Authorized Positions of 33,999.

FY21 Proposed Budget includes funding for related benefits of all positions in the amount of \$13.3 m.

Out of the \$13.3 m, \$6.9 m. are for UAL payments; \$2.7 m. are for retirees' health benefits; and the remaining amount of \$3.7 m. are the employer contributions to the benefits of active employees, of which 18% are SGF.



■ Total FTEs (as of July 1 of each fiscal year)	377	353	370	336	302	291	281	280	286	-
■ Total Authorized Positions (Enacted)	380	367	393	347	324	327	312	308	311	311
■ Authorized Other Charges Positions	-	-	-	-	-	-	-	-	-	-

Notes:

Data for Total FTEs uses the first weekly employment report published by State Civil Service in July at the start of the named fiscal year.

Data for Total Authorized Positions uses fiscal year enacted levels, except for FY21 Proposed.

Data for Other Charges Positions are reflected in the Proposed Budget per Act 377 of the 2013 Regular Legislative Session (beginning in FY15).



FY21 Proposed Budget

Natural Resources — Staff Demographic Data

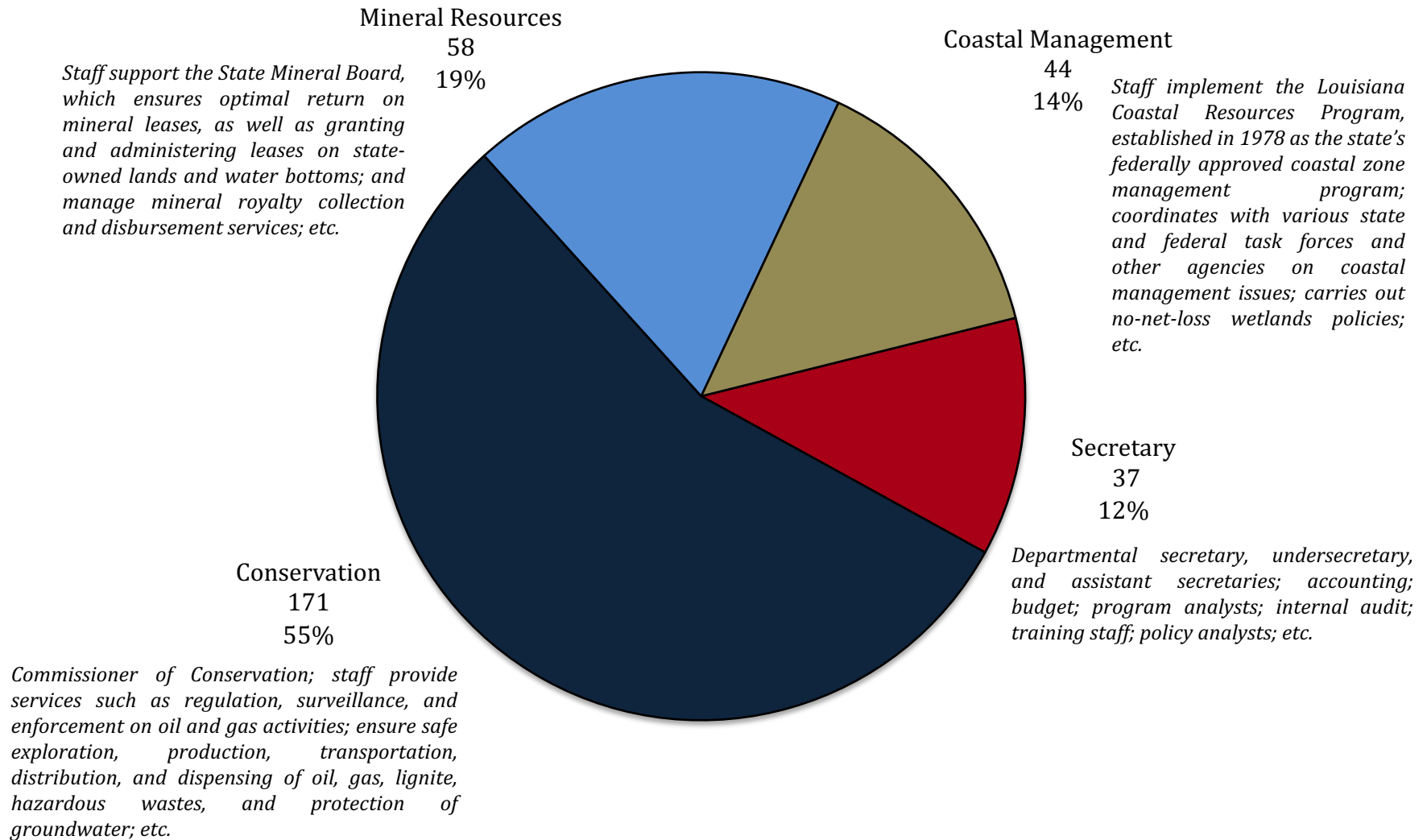
The following table shows a breakdown of departmental staff by demographic data.

Gender	
Female	131
Male	180
Race	
Asian	3
Black	31
Indian	1
White	267
Declined to State	9
Retirement Eligible Within 1 Year	
	77



Natural Resources

FY21 Proposed Total Authorized Positions by Agency





Natural Resources

FY19, FY20, and FY21 Comparison

Total Funding — All Means of Finance

Total Funding	FY19 Actual	FY20 Enacted	FY20 EOB as of 12-1-19	FY21 Proposed as of 2-7-20	Difference FY21 Proposed vs. FY20 EOB
Secretary	\$ 15,848,356	\$ 18,878,594	\$ 18,878,594	\$ 20,988,728	\$2,110,134
Conservation	\$ 20,240,483	\$ 24,486,974	\$ 24,664,372	\$ 23,841,043	(\$823,329)
Mineral Resources	\$ 7,648,475	\$ 9,996,548	\$ 9,996,548	\$ 9,374,707	(\$621,841)
Coastal Management	\$ 5,709,151	\$ 6,912,848	\$ 6,928,499	\$ 6,616,367	(\$312,132)
TOTAL	\$ 49,446,465	\$ 60,274,964	\$ 60,468,013	\$ 60,820,845	\$352,832
Total Authorized FTEs	308	311	311	311	-



Louisiana's Energy Importance to the United States

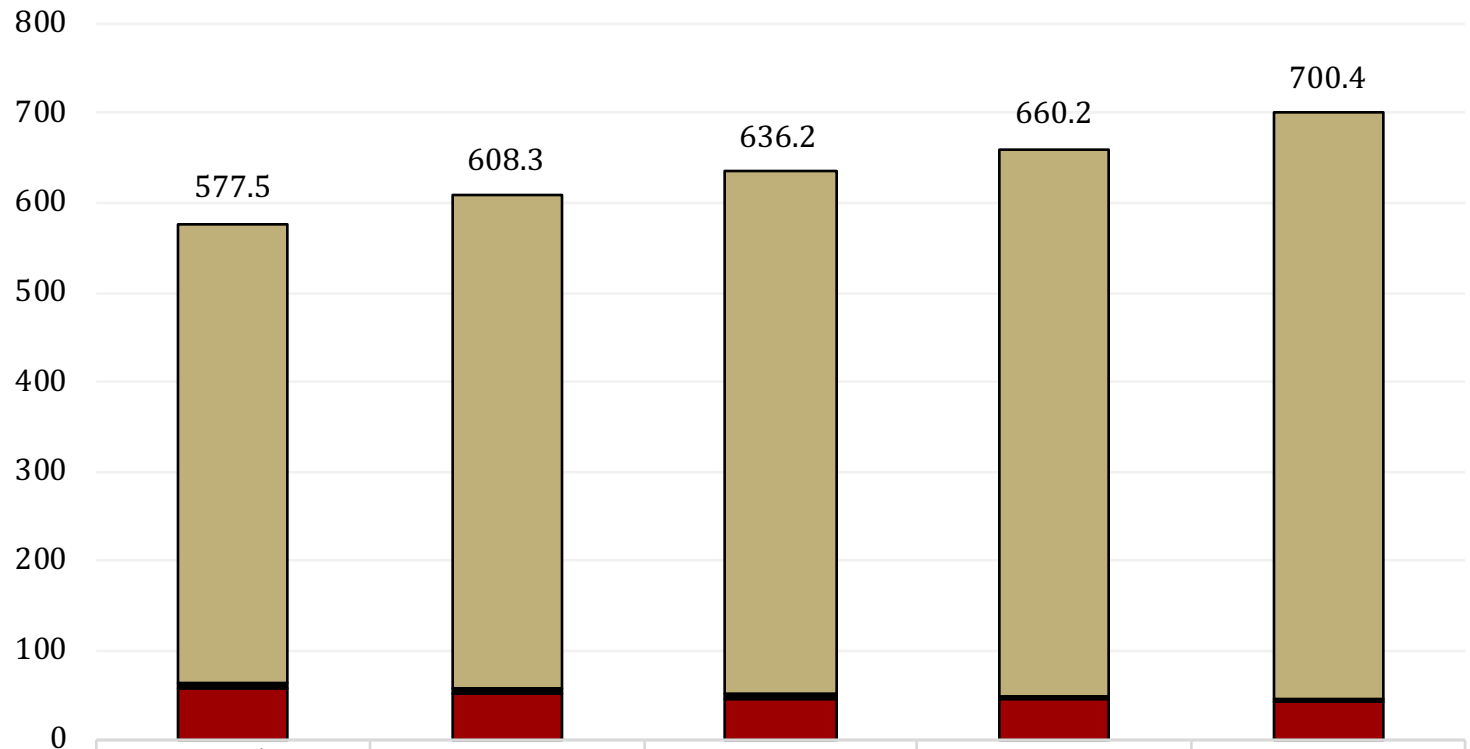
- Louisiana is one of the **top five natural gas-producing states**.
 - *The state accounts for 7% of U.S. total gas production and has about 8% of the nation's gas reserves.*
- Louisiana's 17 oil refineries account for nearly one-fifth of the nation's refining capacity and are capable of processing **3.3 million barrels of crude oil per day**.
- New Orleans is the nation's **third-largest coal exporting port**, with almost one-fifth of U.S. coal exports shipped through the port in 2018.
- The Sabine Pass LNG export terminal on Louisiana's coast handled **22% of U.S. total natural gas exports** in 2017.
- Louisiana is home to two of the four storage sites that make up the U.S. Strategic Petroleum Reserve, which is capable of holding more than **700 million barrels of oil for an emergency**.
 - *The two Louisiana sites hold 270 million barrels.*



Louisiana Total Crude Oil and Condensate Production

Five-Year History

In millions
of barrels



GOM Central

514.3

551.7

584.2

611.2

654.6

Offshore State (Barrels)

5.8

5.3

4.2

4.0

4.1

Onshore

57.3

51.3

46.8

45.0

41.7

GOM Central = Oil production from OCS Central region in the Gulf of Mexico.

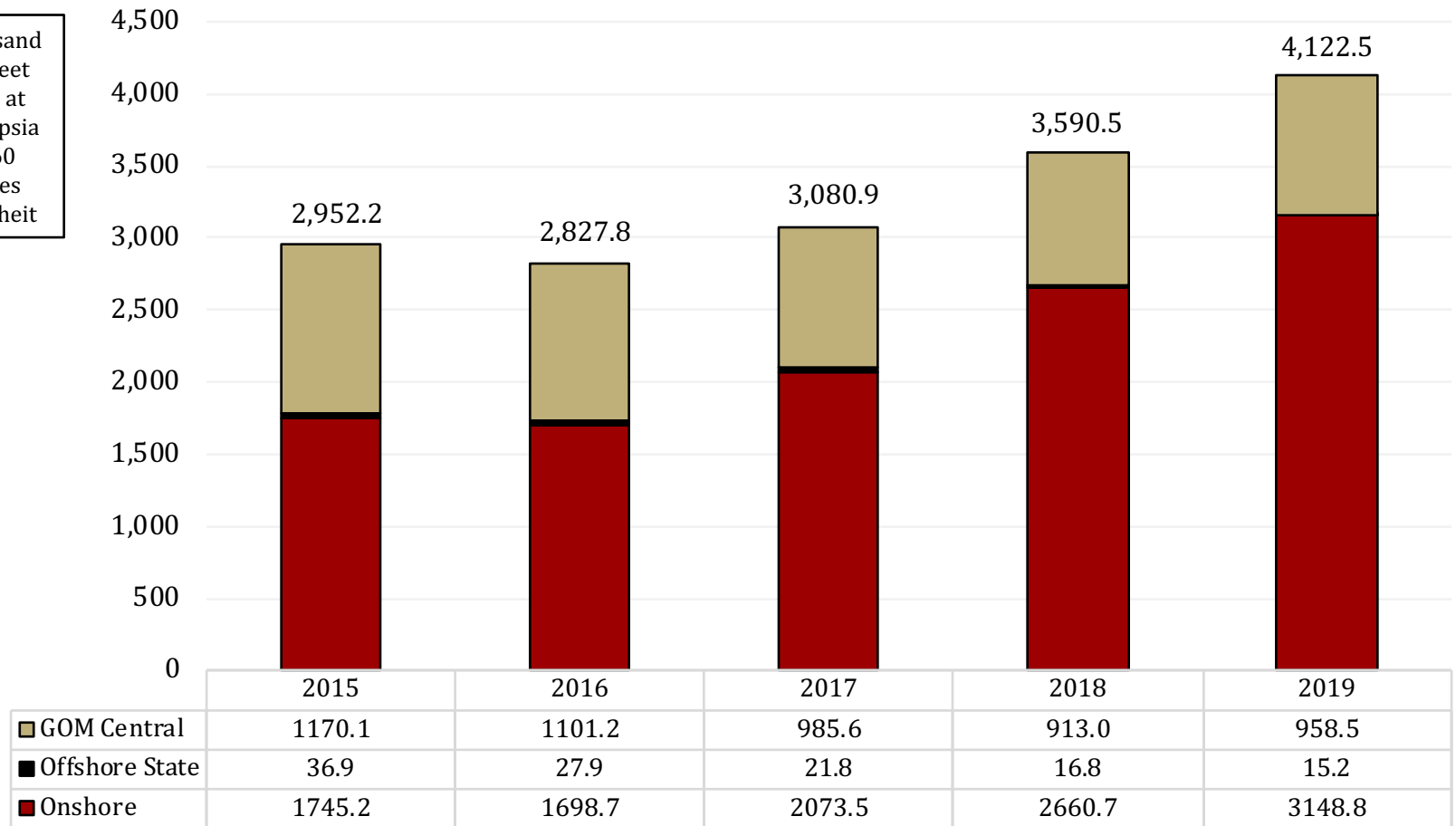
Source: Office of Conservation, as of January 8, 2020.



Louisiana Total Natural Gas and Casinghead Gas Production

Five-Year History

In thousand
cubic feet
(MCF) at
15.025 psia
and 60
degrees
Fahrenheit



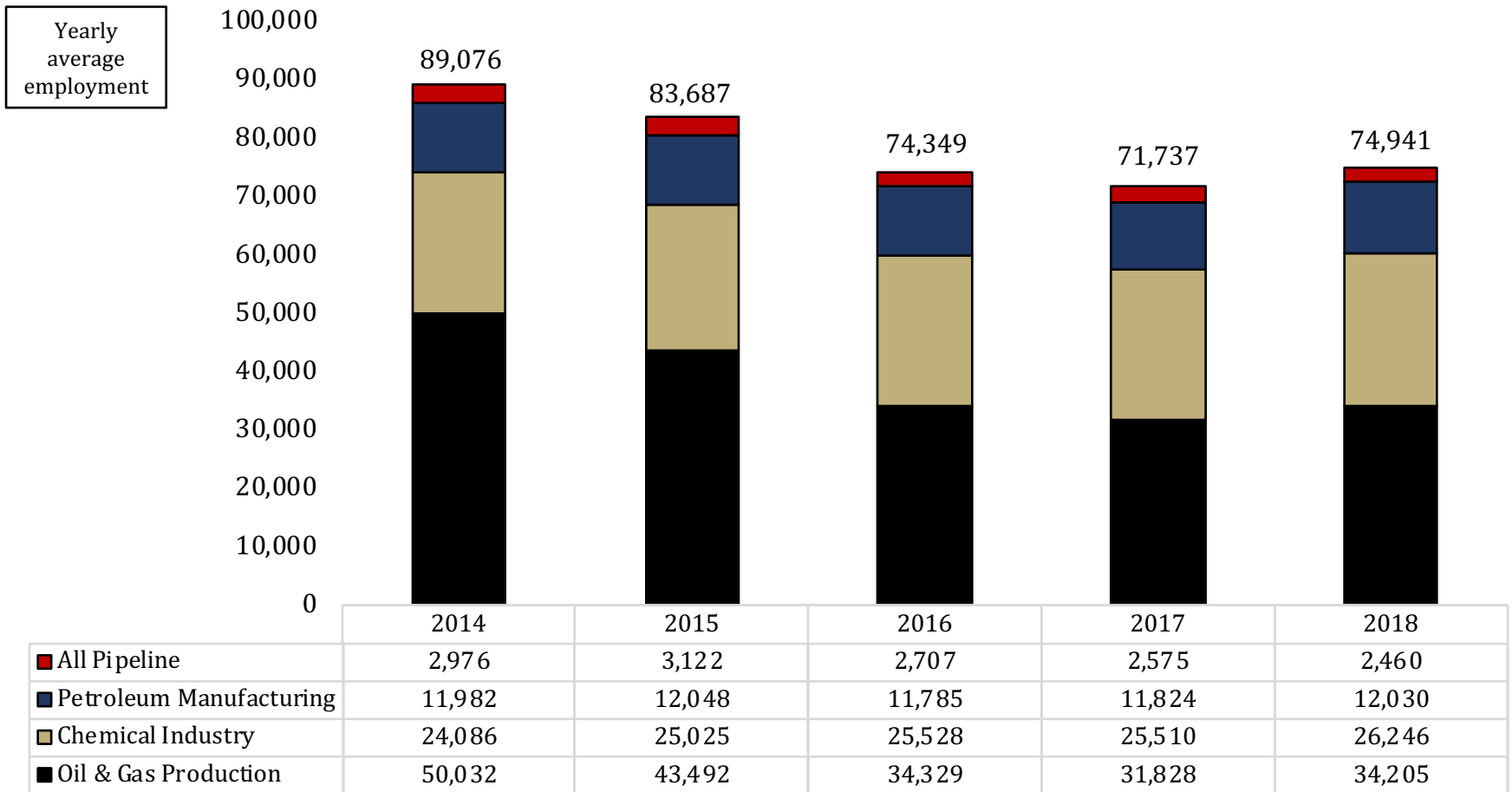
GOM Central = Oil production from OCS Central region in the Gulf of Mexico.

Source: Office of Conservation, as of January 8, 2020.



Louisiana Petrochemical Industry Employment

Five-Year History





Louisiana Energy Consumption Estimates by Source

Year	Total Energy (Trillion BTU)	Total Natural Gas (Billion Cubic Feet)	Total Petroleum (Thousand Barrels)	Total Coal (Thousand Short Tons)	Total Nuclear (Million KWH)	Hydroelectric Power (Million KWH)
2013	4,057	1,479	403,532	13,933	16,954	1,045
2014	4,087	1,507	392,356	12,821	17,311	1,090
2015	4,094	1,556	405,713	11,016	15,301	999
2016	4,199	1,678	400,585	8,834	17,152	1,103
2017	4,482	1,681	424,482	8,638	15,410	906

- The U.S. Energy Information Administration ranked Louisiana No. 1 per capita in energy consumption in 2017.
- Most of the state's consumption (excluding losses) is from the Industrial Sector (2,903 trillion BTUs), followed by Transportation (777 trillion BTUs), Residential (135.4 trillion BTUs), and Commercial (122.5 billion BTUs).
 - *Louisiana's high ranking "is the result of a combination of its large industrial sector, which includes its energy-intensive chemical, petroleum, and natural gas industries, and its modest population size," according to the U.S. Energy Information Administration.*



Natural Resources

Enacted Appropriation vs. Actual Expenditure Analysis — FY17 to FY19

The following charts show Enacted vs. Actual budget comparisons for the specified fiscal years. Rarely are these totals exactly the same. The differences can be attributed to a number of reasons: revenue that was not collected, and therefore, expenditures that could not be made; unanticipated revenue shortfalls that may require a supplemental appropriation; expenditure authority that was anticipated to be needed but the expense never materialized; etc.

Natural Resources	FY17 Enacted	FY17 Actual	FY17 Difference
State General Fund	\$9,129,427	\$10,068,629	\$939,202
Interagency Transfers	\$13,975,783	\$8,390,842	(\$5,584,941)
Fees and Self-generated Revenues	\$343,889	\$167,307	(\$176,582)
Statutory Dedications	\$25,531,214	\$19,691,203	(\$5,840,011)
Federal	\$14,973,745	\$6,646,883	(\$8,326,862)
TOTAL	\$63,954,058	\$44,964,864	(\$18,989,194)

Note 1 – Negative *Difference* numbers show excess budget authority or less revenue than anticipated.

Natural Resources	FY18 Enacted	FY18 Actual	FY18 Difference
State General Fund	\$9,420,216	\$9,421,017	\$801
Interagency Transfers	\$8,992,160	\$6,277,881	(\$2,714,279)
Fees and Self-generated Revenues	\$318,639	\$92,199	(\$226,440)
Statutory Dedications	\$28,527,336	\$22,654,657	(\$5,872,679)
Federal	\$7,765,301	\$6,775,027	(\$990,274)
TOTAL	\$55,023,652	\$45,220,781	(\$9,802,871)

Note 2 — Cells highlighted in yellow mean more funding was needed or that a funding source was underbudgeted.

Natural Resources	FY19 Enacted	FY19 Actual	FY19 Difference
State General Fund	\$ 8,743,801	\$ 8,743,801	\$0
Interagency Transfers	\$ 8,816,870	\$ 6,592,577	(\$2,224,293)
Fees and Self-generated Revenues	\$ 318,639	\$ 125,520	(\$193,119)
Statutory Dedications	\$ 29,444,336	\$ 28,220,283	(\$1,224,053)
Federal	\$ 7,258,917	\$ 5,764,284	(\$1,494,633)
TOTAL	\$ 54,582,563	\$ 49,446,465	(\$5,136,098)

In any given year, Natural Resources tends to be overbudgeted in most means of financing, but particularly Interagency Transfers and Fees and Self-generated Revenues. State General Fund has been very slightly underbudgeted in prior years, but had \$0 difference in FY19.



Impact from COVID-19

Operational and Financial Impacts

- Minimal departmental costs from coronavirus protocols and policies
 - FY20 expenses estimated at \$20K
- Mineral and Energy Board holding virtual meetings
 - Resolution passed waiving all penalties from March 2020 to August 2020 = estimated cost of \$40K
- Other factors affecting the state's oil and gas industry:
 - Russia/Saudi Arabia oil price war
 - Collapse in overall economic activity
 - Oversupply/price collapse in oil market
 - Potential for bankruptcies, closing existing wells, decrease in new leases and permits, etc.
- Projected financial impacts:
 - Departmental
 - FY20 – to maintain a balanced budget, DNR is holding vacancies open and delaying or cancelling acquisitions purchases
 - FY21 – projected revenue shortfall of \$3.7 million, but could be offset by cost-saving measures and drawing against accrued balances in dedicated funds
 - *Continually holding vacancies open could result in staffing shortages and increased time processing permits, conducting inspections, and reduced time in compliance actions*
 - Office of Conservation
 - Reduction in oil and gas investment by 30 percent; decrease in annual production fees of 15 percent; decrease in collections on inactive well assessments by 35 percent
 - Office of Mineral Resources
 - Reduction in nominations (lease proposals) and acreage --
 - *Final quarter of FY20 = 7 nominations/944 acres*
 - *First three quarters of FY20 = 17 nominations/16,185 acres on average*



Natural Resources

House Amendments to HB 105

House Amendments to HB105						
HB 105	State General Fund	Interagency Transfers	Fees and Self-generated Revenues	Statutory Dedications	Federal	TOTAL
Original	\$8,211,691	\$8,442,728	\$208,000	\$35,539,169	\$8,419,257	\$60,820,845
Appropriations Amendments:	State General Fund	Interagency Transfers	Fees and Self-generated Revenues	Statutory Dedications	Federal	TOTAL
Office of the Secretary	\$0	\$0	\$0	\$0	\$0	\$0
Office of Conservation	\$0	\$0	\$0	\$0	\$0	\$0
Office of Mineral Resources	(\$161,688)	\$0	\$0	\$0	\$0	(\$161,688)
Office of Coastal Management	\$0	\$0	\$0	\$5,000,000	\$0	\$5,000,000
Engrossed	\$8,050,003	\$8,442,728	\$208,000	\$40,539,169	\$8,419,257	\$65,659,157
House Floor Amendments:	State General Fund	Interagency Transfers	Fees and Self-generated Revenues	Statutory Dedications	Federal	TOTAL
No amendments.	\$0	\$0	\$0	\$0	\$0	\$0
Re-engrossed	\$8,050,003	\$8,442,728	\$208,000	\$40,539,169	\$8,419,257	\$65,659,157
<i>Difference HB105 Original to HB105 Re-engrossed</i>	(\$161,688)	\$0	\$0	\$5,000,000	\$0	\$4,838,312
<i>FY21 Proposed</i>	\$8,211,691	\$8,442,728	\$208,000	\$35,539,169	\$8,419,257	\$60,820,845
<i>Difference HB105 Original to FY21 Proposed</i>	\$0	\$0	\$0	\$0	\$0	\$0
<i>Difference HB105 Engrossed to FY21 Proposed</i>	(\$161,688)	\$0	\$0	\$5,000,000	\$0	\$4,838,312
<i>Difference HB105 Re-engrossed to FY21 Proposed</i>	(\$161,688)	\$0	\$0	\$5,000,000	\$0	\$4,838,312

The House increased the FY21 budget for Natural Resources by \$4.8 million to \$65.7 million. This increase is due to additional Statutory Dedications authority of \$5 million in the Office of Coastal Management from the Coastal Resources Trust Fund to complete eligible beneficial use projects. This funding was modestly offset by a decrease in State General Fund for travel and operating services in the Office of Mineral Resources. The Appropriations Committee also added an allocation of \$200,000 from the Underwater Obstruction Removal Fund for anchor removal in the area surrounding Mendicant and Beauregard Islands, but this amendment does not affect the bottom line.

The FY21 total for DNR in HB1 Original is the same as HB105 Re-engrossed at \$65,659,157.