



# **FY16 Executive Budget**

## **Schedule 11 Department of Natural Resources**



Louisiana Senate  
Finance Committee  
April 27, 2015

# FY16 Executive Budget

## Schedule 11 — Natural Resources Agencies

- 11-431 Office of the Secretary
- 11-432 Office of Conservation
- 11-434 Office of Mineral Resources
- 11-435 Office of Coastal Management

# Audit Findings

## **Department of Natural Resources, Office of Conservation**

### **REGULATION OF OIL AND GAS WELLS AND MANAGEMENT OF ORPHANED WELLS • MAY 28, 2014**

A comprehensive examination of the Office of Conservation found the office has not always effectively regulated oil and gas wells or managed the state's growing orphaned wells population. Office of Conservation regulations do not require all well operators to provide financial security, and those security amounts that are required are not enough to pay for plugging most wells.

In addition, the office does not conduct well inspections according to the schedule developed by the Commissioner of Conservation, nor does it have an enforcement process that consistently and sufficiently addresses non-compliance. The office also does not have a way to effectively identify inactive wells that are most at risk of being orphaned or ensure that such wells that are identified are plugged within the 90 days required by state law.

# FY16 Executive Budget

## Schedule 11 — Natural Resources Statistics

### Total Louisiana Oil Production (crude oil and condensate) in barrels:

Year	Onshore	State Offshore	Federal OCS	Total
2014 Total	62,375,904	6,326,802	435,902,447	<b>504,605,153</b>
2015 Total (as of March)	15,166,317	1,500,279	n/a	<b>16,666,597</b>

### Total Louisiana Gas Production in thousand cubic feet:

Year	Onshore	State Offshore	Federal OCS	Total
2014 Total	1,856,723,382	47,819,003	871,774,031	<b>2,850,590,436</b>
2015 Total (estimated as of March)	137,296,681	3,712,522	n/a	<b>141,009,203</b>

### Louisiana State Oil and Gas Drilling Permits Issued by Type (excluding OCS):

Year	Developmental	Wildcats	Total	Offshore	Onshore
2014 Total	1,379	29	<b>1,408</b>	8	1,400
2015 Total (estimated as of February)	76	1	<b>77</b>	2	75

# Natural Resources

## FY15 Existing Operating Budget vs. Proposed FY16 Budget

<b>Total Funding</b>	<b>FY15 EOB as of 12-1-14</b>	<b>FY16 Recommended</b>	<b><i>Difference</i></b>
DNR	\$ 87,215,598	\$ 72,623,823	<i>\$ (14,591,775)</i>

<b>Total Positions</b>	339	324	<i>(15)</i>
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### Other Charges Positions:

0

### **FY16 Non-Discretionary Funding**

Total Non-Disc.: \$4,003,267

**Percent Non-Disc: 5.5%**

Total Non-Disc. SGF: \$0

Non-Disc. T.O.: 0

### **FY16 Discretionary Funding**

Total Discretionary: \$68,620,556

**Percent Discretionary: 94.5%**

Total Discretionary SGF: \$8,251,107

Discretionary T.O.: 324

# Natural Resources

## Non-Discretionary/Discretionary Funding by Agency

### **Non-Discretionary Funding:**

\$547 k. — Executive (retirees group insurance)

\$2.5 m. — Mgt and Finance (rent in state-owned bldgs; legislative auditor fees)

\$576 k. — Oil and Gas Regulatory (rent in state-owned bldgs; retirees group insurance; maintenance in state-owned bldgs)

\$179 k. — Mineral Resources Mgt (retirees group insurance)

\$178 k. — Coastal Resources Mgt (retirees group insurance)

### **Discretionary Funding:**

\$30.1 m. — Office of the Secretary

\$19.4 m. — Office of Conservation

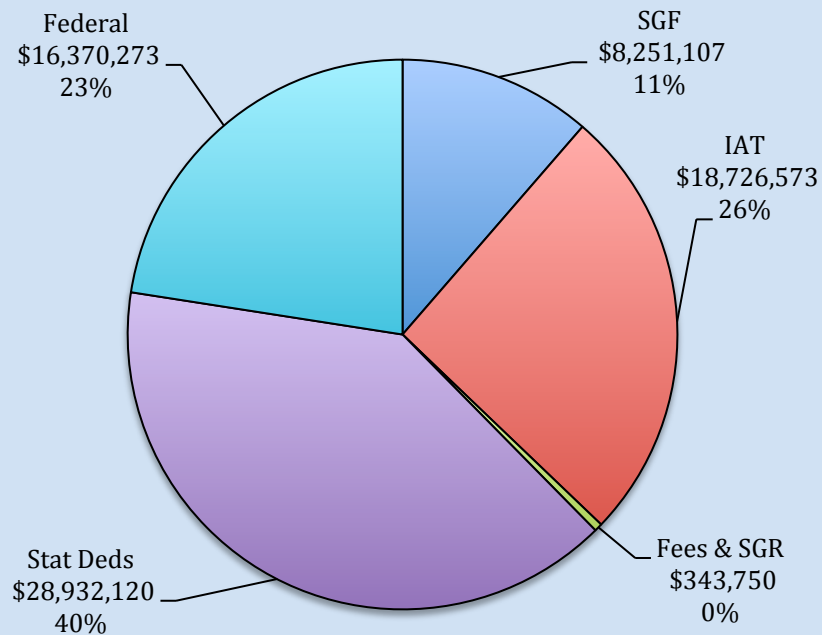
\$11.4 m. — Office of Mineral Resources

\$7.8 m. — Office of Coastal Restoration and Mgt



# FY16 Natural Resources Means of Finance

**FY16 Total Means of Finance**  
(In Millions)



## Major Non-SGF Sources of Funding:

Statutory Dedications are the largest non-SGF funding source. They are derived from the Fisherman's Gear Compensation Fund, the Oilfield Site Restoration Fund, the Oil and Gas Regulatory Fund, the Underwater Obstruction Removal Fund, the Mineral and Energy Operation Fund, the Coastal Resources Trust Fund, and the Oil Spill Contingency Fund.

Interagency Transfers are derived from Wildlife and Fisheries, Workforce Commission, Children and Family Services, and DEQ for legal services and other operating expenses, and from Wildlife and Fisheries for underwater obstruction removal.

Federal sources are the Corps of Engineers in support of the Washington Voice, a federal grant through the U.S. Dept. of Energy's State Energy Conservation Program (SEP); 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, the Coastal Management Grant Section 309, and the Corps of Engineers Geological Review.

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).

# FY15 Existing Operating Budget vs. FY16 Recommended

## Schedule 11 Natural Resources — Total Expenditures

<b>Expenditure Category</b>	<b>FY15 Existing Operating Budget</b>	<b>FY16 Recommended Budget</b>	<b>Difference</b>
Personal Services	\$32,021,647	\$29,597,632	(\$2,424,015)
Operating Expenses	\$2,307,958	\$2,018,320	(\$289,638)
Professional Services	\$1,089,127	\$528,765	(\$560,362)
Other Charges	\$51,505,394	\$40,457,463	(\$11,047,931)
Acquisitions & Major Repairs	\$291,472	\$21,643	(\$269,829)
<b>Total Expenditures</b>	<b>\$87,215,598</b>	<b>\$72,623,823</b>	<b>(\$14,591,775)</b>



# FY16 Natural Resources

## Selected Standard Statewide Adjustments

### **Annualization of FY15 Mid-Year Reduction Plan — No adjustment.**

#### **Performance/Salary Adjustments:**

\$291 k. Total — Annualize Classified State Employees Performance Adjustment

(\$333 k.) Total — Salary Base Adjustment

(\$457 k.) Total — Attrition Adjustment

#### **Retirement Adjustments:**

(\$222 k.) Total — La. State Employees Retirement System Base Adjustment

#### **Group Insurance Adjustments (tied to OGB rate increase):**

\$209 k. Total — Group Insurance Rate Adjustment for Active Employees

\$181 k. Total — Group Insurance Rate Adjustment for Retirees

### **Other:**

\$22 k. Total — Acquisitions and Major Repairs

(\$291 k.) Total — Non-recurring Acquisitions and Major Repairs

(\$2.1 million) Total — Non-recurring Carryforwards

\$421 k. Total — Office of Technology Services

**(\$712 k.) Total — GEMS Savings (standard statewide adjustments)**

**\$40 k. Total and (15) T.O. — Office of State Human Capital**

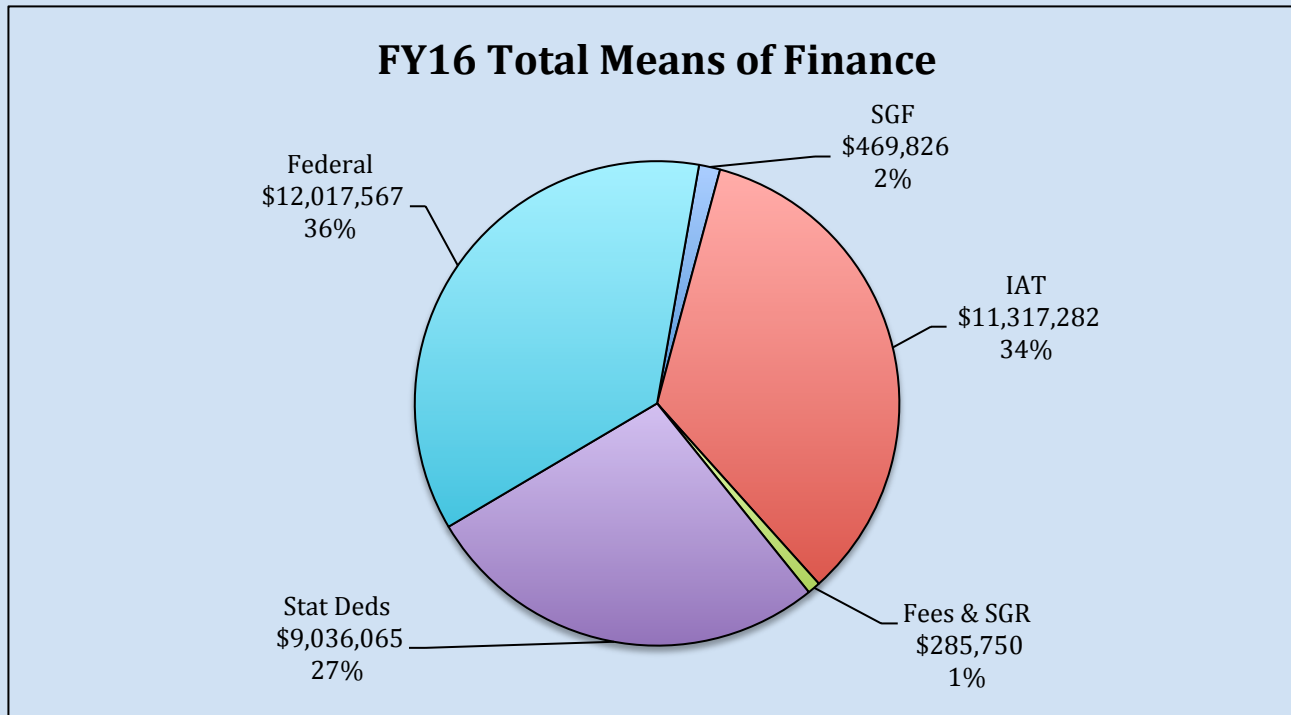
**(\$442 k.) Total — Office of State Procurement**

# Natural Resources

## 11-431 Office of the Secretary

Total Funding	FY15 EOB as of 12-1-14	FY16 Recommended	Difference
DNR — Secretary	\$ 46,122,002	\$ 33,126,490	\$ (12,995,512)

Total Positions	66	51	(15)
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FY16 Non-Discretionary	FY16 Discretionary
\$3,069,198	\$30,057,292

# Natural Resources

## 11-431 Office of the Secretary

### Significant FY16 Budget Issues in DNR — Office of the Secretary:

(15) T.O. and \$40,049 SGF adjustment tied to the Office of State Human Capital.

Internal reorganization within the Office of the Secretary — Net \$0 and 0 T.O. adjustment whereby 57 T.O. and \$23.9 million are increased in the Executive Program with corresponding reductions of (40) T.O. and (\$11.6 million) in the Management and Finance Program, (15) T.O. and (\$4.2 million) in the Technology Assessment Program, (2) T.O. and (\$263,022) in the Atchafalaya Basin Program and (\$7.9 million) in the Auxiliary Account.

Rent expenditure reduction — Savings of \$300,000 SGF realized due to reducing rent in the LaSalle Building.

Actual expenditure realignment — A total of (\$5.9 million) is reduced in budget authority across several expenditure categories and means of financing to align the budget closer to a three-year average with actual expenditures.

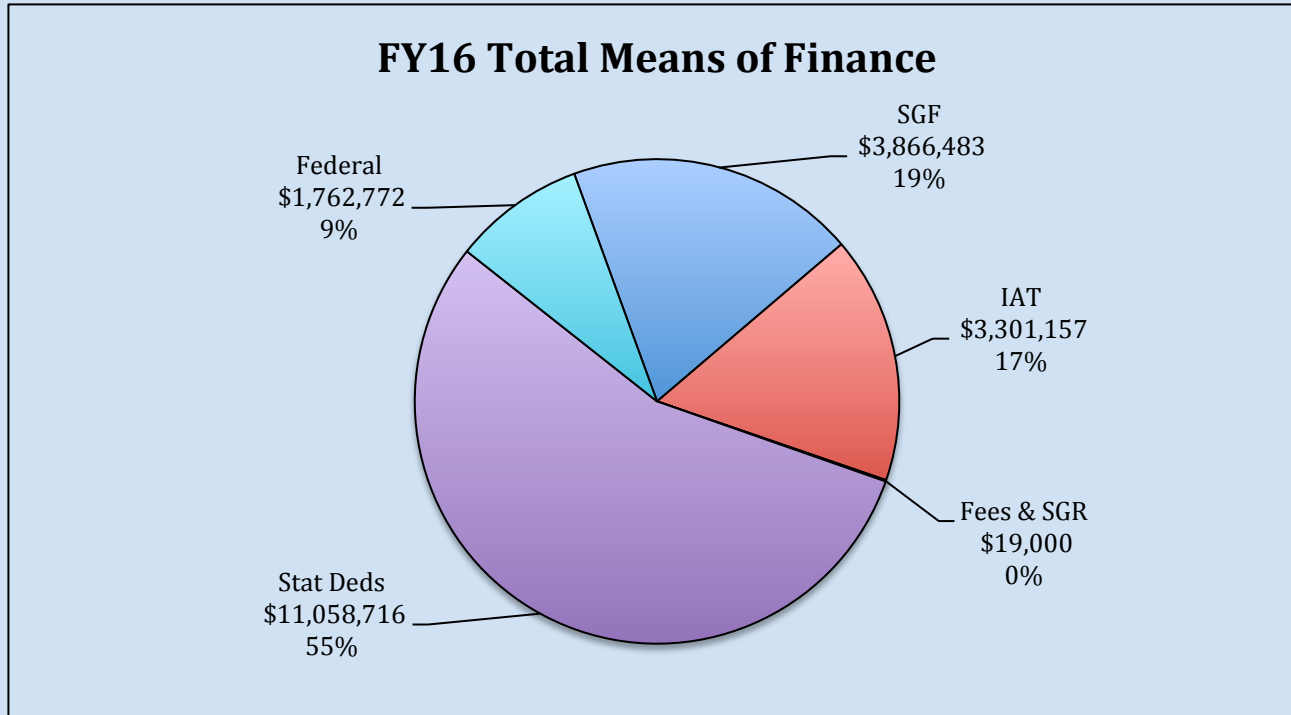
Back-office consolidation realignment — (\$3.1 million) IAT from the Departments of Environmental Quality and Wildlife and Fisheries is reduced to properly align revenue with anticipated expenditures associated with back-office consolidation among the departments.

# Natural Resources

## 11-432 Office of Conservation

Total Funding	FY15 EOB as of 12-1-14	FY16 Recommended	Difference
DNR — Conservation	\$ 20,356,056	\$ 20,008,128	\$ (347,928)

Total Positions	165	165	-
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FY16 Non-Discretionary	FY16 Discretionary
\$576,093	\$19,432,035

# Natural Resources

## 11-432 Office of Conservation

### Significant FY16 Budget Issues in DNR — Office of Conservation:

Internal reorganization within the Office of Conservation — Net \$0 and 0 T.O. adjustment whereby 58 T.O. and \$9.4 million are increased in the Oil and Gas Regulatory Program with corresponding reductions of (58) T.O. and (\$9.4 million) in the Public Safety Program.

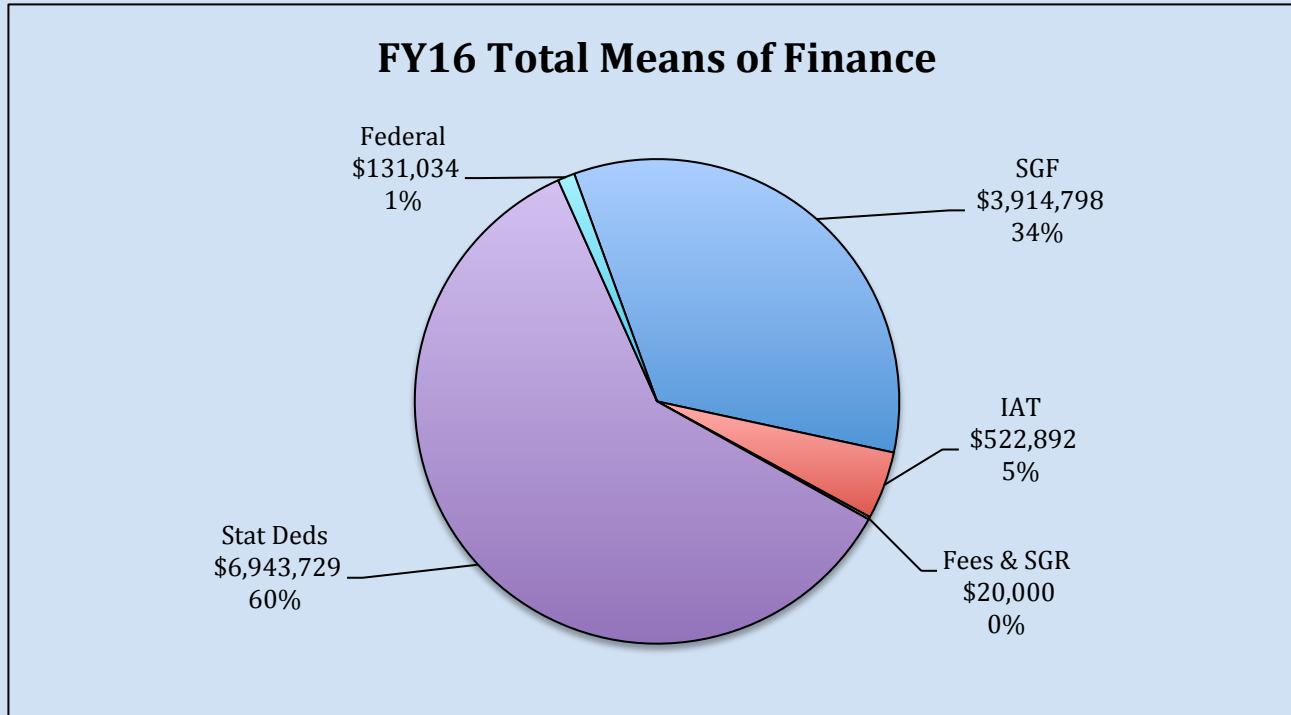
Actual expenditure realignment — (\$417,500) Total is reduced in budget authority across several expenditure categories and means of financing to align the budget closer to a three-year average with actual expenditures and to correctly align means of financing with expenditures.

# Natural Resources

## 11-434 Office of Mineral Resources

Total Funding	FY15 EOB as of 12-1-14	FY16 Recommended	Difference
DNR — Mineral Resources	\$ 12,161,778	\$ 11,532,453	\$ (629,325)

Total Positions	61	61	-
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FY16 Non-Discretionary	FY16 Discretionary
\$179,140	\$11,353,313



# Natural Resources

## 11-434 Office of Mineral Resources

### Significant FY16 Budget Issues in DNR — Office of Mineral Resources:

(\$390,000) SGF — Reduces expenditure categories (Other Compensation, Travel, Professional Services, and Other Charges) to bring them near the three-year average of spending.

(\$350,000) Total — Reduction tied to closure of the Dallas Field Office (\$150,000 SGF and \$200,000 Statutory Dedications out of the Mineral and Energy Operation Fund).

\$400,000 Total — Net adjustment to properly align means of financing (\$200,000 reduction in SGF and \$600,000 increase in Statutory Dedications out of the Mineral and Energy Operation Fund).

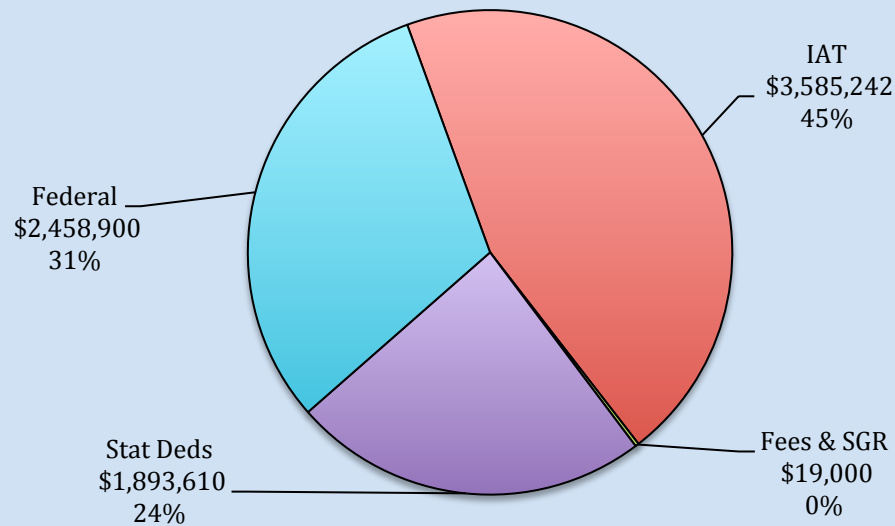
# Natural Resources

## 11-435 Office of Coastal Management

Total Funding	FY15 EOB as of 12-1-14	FY16 Recommended	Difference
DNR — Coastal Mgt.	\$ 8,575,762	\$ 7,956,752	\$ (619,010)

Total Positions	47	47	-
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**FY16 Total Means of Finance**



FY16 Non-Discretionary	FY16 Discretionary
\$178,836	\$7,777,916

# Natural Resources

## 11-435 Office of Coastal Management

### Significant FY16 Budget Issues in DNR — Office of Coastal Management:

(\$121,000) IAT — Non-recurs IAT funding from the Office of State Police — Oil Spill Coordinator for funding received for oil spill-related expenditures.

(\$325,000) Total — Reductions to Travel and Other Charges expenditure categories to bring them closer to the three-year average level of spending.