



# Louisiana Senate Finance Committee



## FY20 Proposed Budget

### 11 – Natural Resources

May 2019

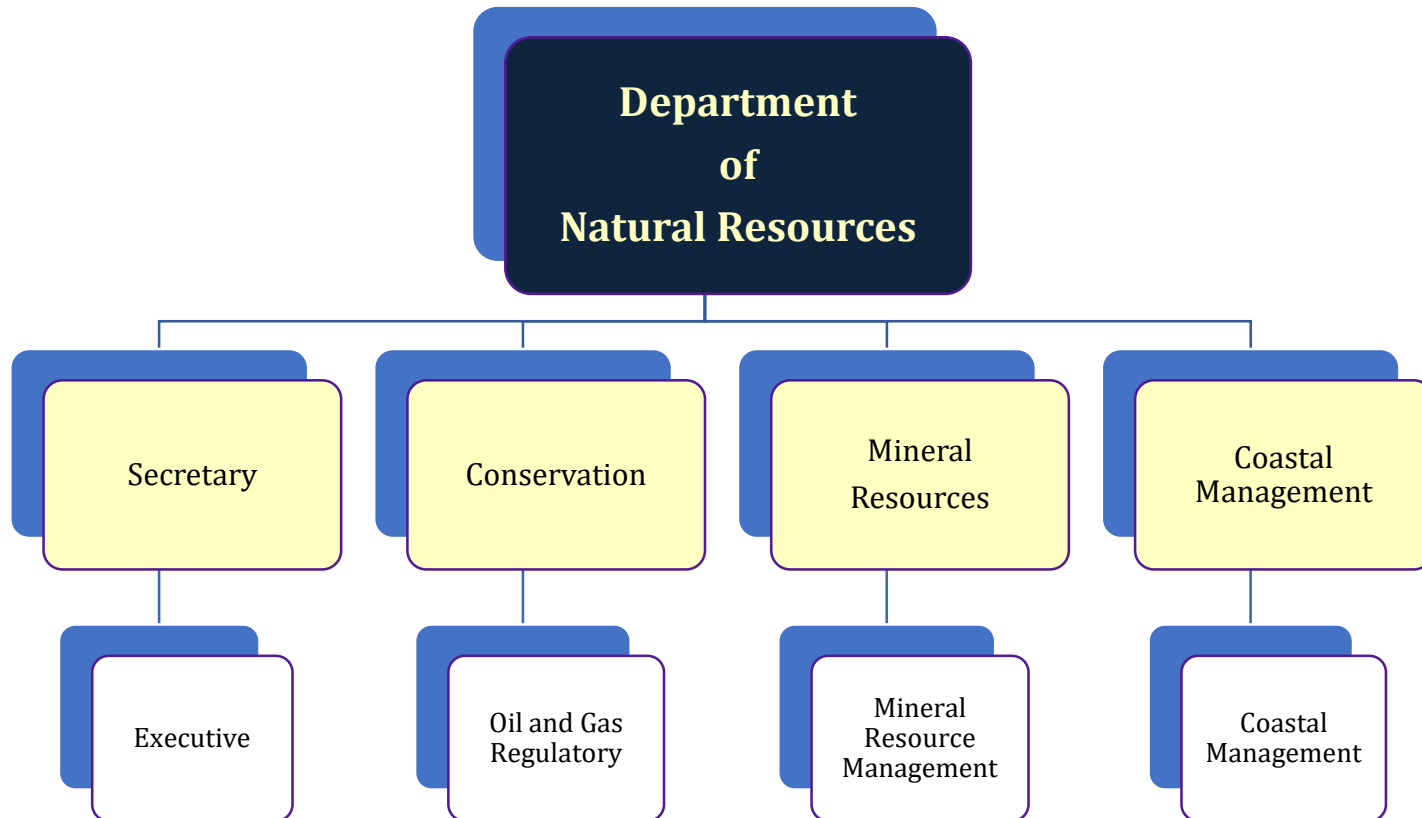
*Sen. John A. Alario, President*  
*Sen. Eric LaFleur, Chairman*



# FY20 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.





# Natural Resources

## FY20 Proposed Means of Finance by Agency

Total MOF by Agency	SGF	IAT	FSGR	Stat Deds	Federal	Total
<b>Office of the Secretary</b>	\$885,758	\$4,266,439	\$150,000	\$10,452,600	\$3,123,797	<b>\$18,878,594</b>
<b>Conservation</b>	\$2,813,399	\$961,060	\$19,000	\$17,633,032	\$2,997,651	<b>\$24,424,142</b>
<b>Mineral Resources</b>	\$4,129,007	\$575,000	\$20,000	\$5,305,512	\$0	<b>\$10,029,519</b>
<b>Coastal Management</b>	\$167,791	\$3,199,486	\$19,000	\$1,105,116	\$2,421,455	<b>\$6,912,848</b>
<b>TOTALS</b>	<b>\$7,995,955</b>	<b>\$9,001,985</b>	<b>\$208,000</b>	<b>\$34,496,260</b>	<b>\$8,542,903</b>	<b>\$60,245,103</b>

Agency	Program Description
<b>Office of the Secretary</b>	Provides leadership, guidance, and coordination to ensure consistency within the Department as well as externally. Provides administration, accounting, budget, grants management, program analysis, and internal auditing, among other duties.
<b>Conservation</b>	Regulates the exploration and production of oil, gas, and other natural resources, and thereby protects public health and the environment, and the correlative rights of all parties involved. Originally created in 1912, this office contains the Commissioner of Conservation and other commensurate duties with oil and gas regulation.
<b>Mineral Resources</b>	Provides for lease and/or exploration for the development and production of minerals, oil, gas, or alternative energy sources on state-owned lands and water bottoms in an environmentally sound and safe manner. Provides mineral royalty collection and disbursement services under the auspices of the State Mineral and Energy Board.
<b>Coastal Management</b>	Seeks to conserve, protect, manage, and enhance or restore Louisiana's coastal resources. Originally created in 1978, this office implements the Louisiana Coastal Resources Program, which is the state's federally approved coastal zone management program.



# Natural Resources

## FY18, FY19, and FY20 Comparison

### Total Funding — All Means of Finance

<b>Total Funding</b>	<b>FY18 Actual</b>	<b>FY19 Enacted</b>	<b>FY19 EOB as of 12-1-18</b>	<b>FY20 Proposed as of 2-22-19</b>	<b><i>Difference FY19 Proposed vs. FY18 EOB</i></b>
Secretary	\$ 11,461,115	\$ 15,091,491	\$ 16,540,200	\$ 18,878,594	\$2,338,394
Conservation	\$ 20,413,468	\$ 23,155,301	\$ 22,865,150	\$ 24,424,142	\$1,558,992
Mineral Resources	\$ 7,215,040	\$ 10,832,873	\$ 10,555,208	\$ 10,029,519	<i>(\$525,689)</i>
Coastal Management	\$ 6,131,158	\$ 6,176,818	\$ 6,102,600	\$ 6,912,848	\$810,248
<b>TOTAL</b>	<b>\$ 45,220,781</b>	<b>\$ 55,256,483</b>	<b>\$ 56,063,158</b>	<b>\$ 60,245,103</b>	<b>\$4,181,945</b>
Total Authorized FTEs	321	308	308	311	3

*Note: FY19 Enacted includes a 24.2 percent preamble reduction of \$2.1 million SGF.*

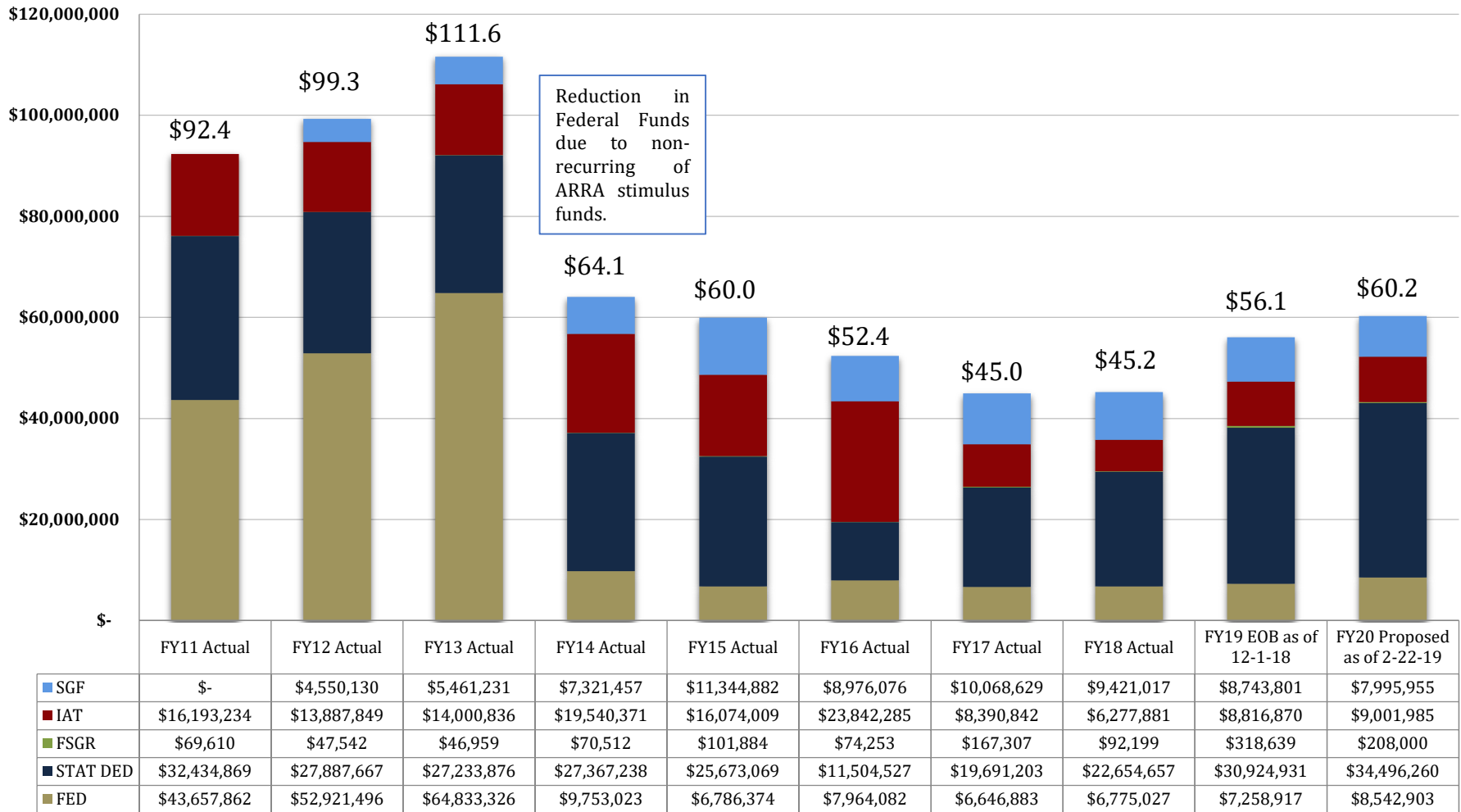


# Natural Resources

## Changes in Funding since FY11

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

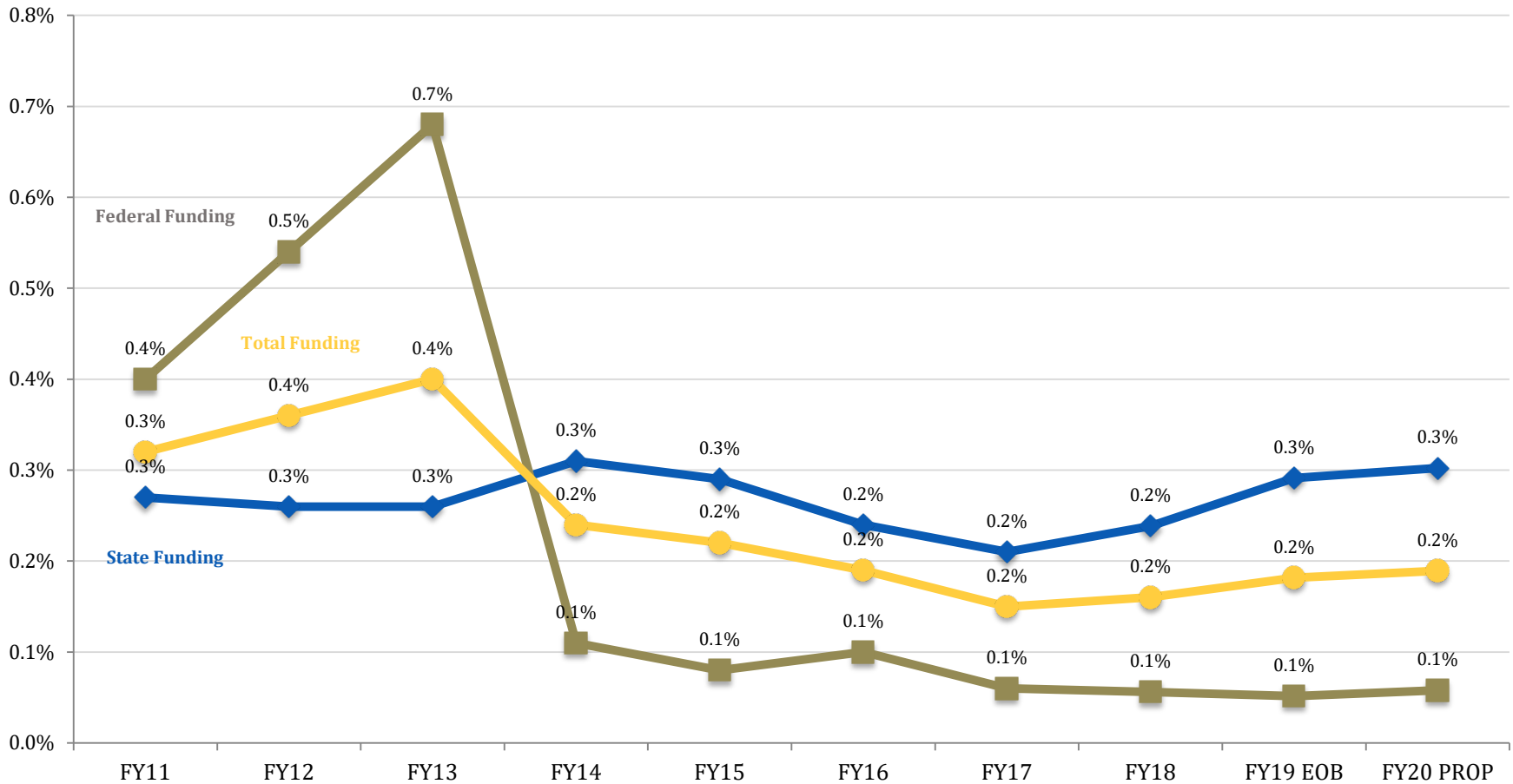
Change from FY11 to FY20 is -34.8%.





# DNR Changes in Funding since FY11

DNR's Budget as a Portion of the Total State Budget

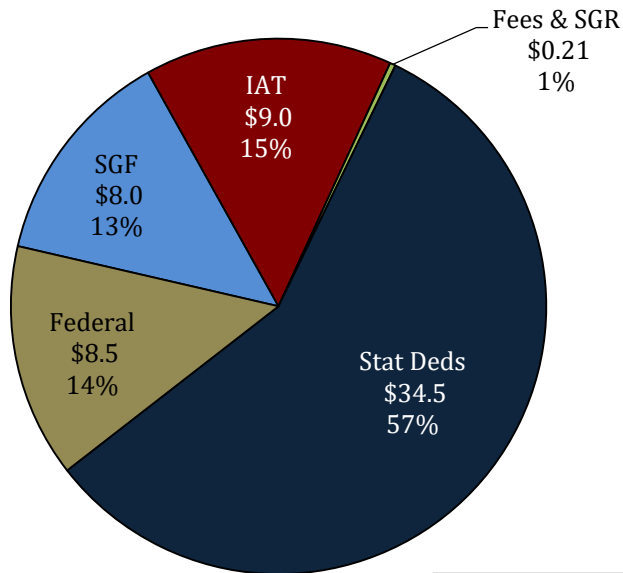




# Natural Resources

## FY20 Proposed Means of Finance

**FY20 Proposed  
Total Means of Finance  
(In Millions)**



Total \$60.2 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 for underwater obstruction removal.

**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	FY18 Actual	FY19 EOB as of 12-1-18	FY20 Proposed
Coastal Resources Trust Fund	Fees/Federal Revenue Sharing	\$631,869	\$592,036	\$901,717
Fisherman's Gear Compensation Fund	Fees (Obligation of the Oil Spill Contingency Fund)	\$465,634	\$632,000	\$632,000
Mineral and Energy Operation Fund	Judgments/Settlements/Fees/Other Sources	\$1,578,559	\$4,555,401	\$5,305,512
Oil and Gas Regulatory Fund	Fees/Fines/Civil Penalties/Annual Assesments on Inactive, Unplugged Wells	\$14,273,823	\$16,289,271	\$17,283,032
Oil Spill Contingency Fund	Fees/Taxes/Penalties/Judgments/Reimbursements/ Charges/Federal Funds	\$162,804	\$203,399	\$203,399
Oilfield Site Restoration Fund	Annual Assesments on Inactive, Unplugged Wells	\$5,267,531	\$8,402,824	\$9,820,600
Underwater Obstruction Removal Fund	Private contributions/ Interest/Grants/Donations/ Allocations/R.S. 56:700.2(A)(4)	\$274,437	\$250,000	\$350,000
<b>TOTALS</b>		<b>\$22,654,657</b>	<b>\$30,924,931</b>	<b>\$34,496,260</b>

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 Expenditures

## FY18, FY19, and FY20

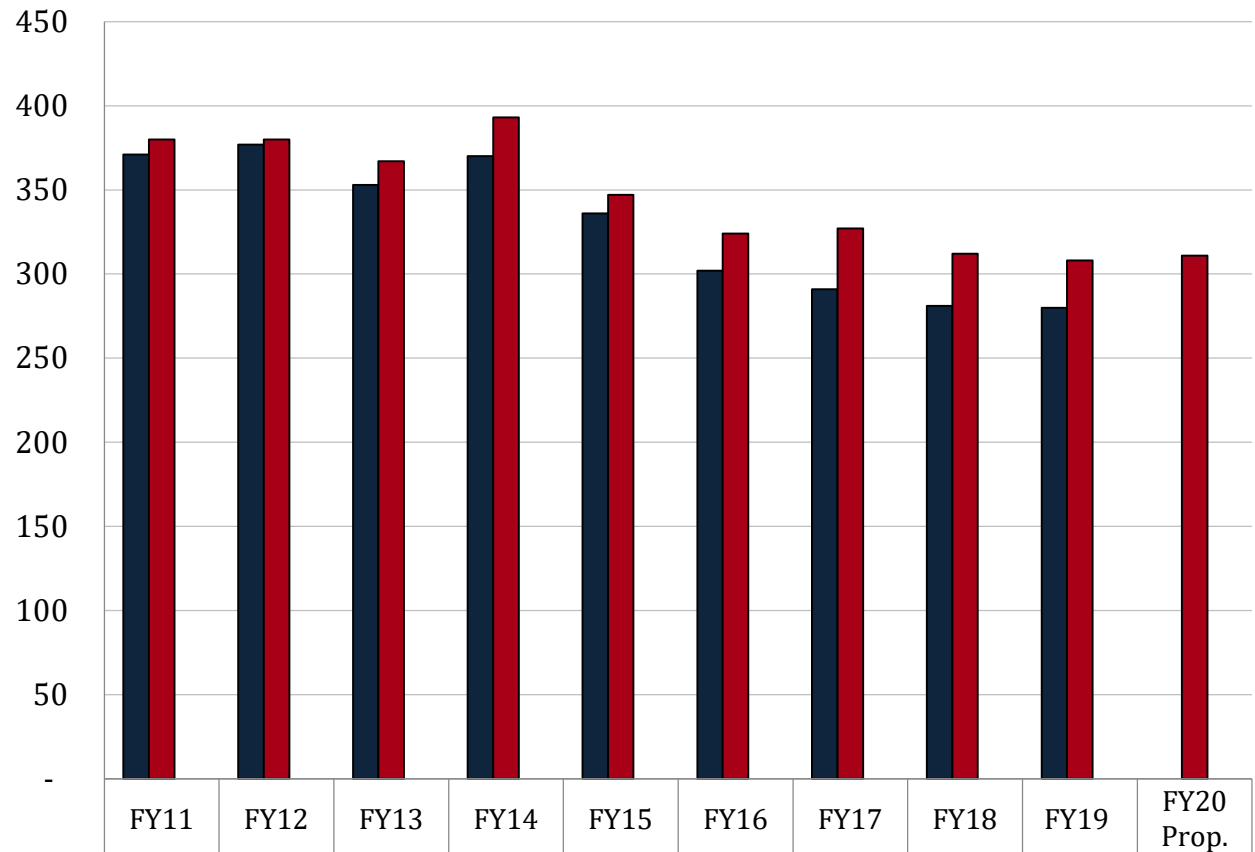
Expenditure Category	FY18 Actual	FY19 EOB (as of 12-01-18)	FY20		Difference FY19 to FY20
			Proposed Budget	Category as Percent of Total	
<b>Personal Services:</b>	<b>\$28,707,180</b>	<b>\$31,497,863</b>	<b>\$33,805,708</b>	<b>56.11%</b>	<b>\$2,307,845</b>
Salaries	\$17,543,948	\$19,543,957	\$20,583,337	34.17%	\$1,039,380
Other Compensation	\$124,506	\$234,916	\$234,916	0.39%	\$0
Related Benefits	\$11,038,725	\$11,718,990	\$12,987,455	21.56%	\$1,268,465
<b>Operating Expenses:</b>	<b>\$5,865,912</b>	<b>\$8,893,411</b>	<b>\$11,170,504</b>	<b>18.54%</b>	<b>\$2,277,093</b>
Travel	\$277,870	\$378,517	\$449,563	0.75%	\$71,046
Operating Services	\$5,300,264	\$7,982,639	\$10,193,350	16.92%	\$2,210,711
Supplies	\$287,779	\$532,255	\$527,591	0.88%	(\$4,664)
<b>Professional Services</b>	<b>\$130,612</b>	<b>\$703,154</b>	<b>\$878,976</b>	<b>1.46%</b>	<b>\$175,822</b>
<b>Other Charges:</b>	<b>\$9,979,246</b>	<b>\$14,244,480</b>	<b>\$14,252,160</b>	<b>23.66%</b>	<b>\$7,680</b>
Other Charges	\$1,227,334	\$2,143,283	\$2,939,199	4.88%	\$795,916
Debt Service	\$0	\$0	\$0	0.00%	\$0
Interagency Transfers	\$8,751,912	\$12,101,197	\$11,312,961	18.78%	(\$788,236)
<b>Acquisitions &amp; Major Repairs:</b>	<b>\$537,831</b>	<b>\$724,250</b>	<b>\$137,755</b>	<b>0.23%</b>	<b>(\$586,495)</b>
Acquisitions	\$537,831	\$724,250	\$137,755	0.23%	(\$586,495)
Major Repairs	\$0	\$0	\$0	0.00%	\$0
<b>Total Expenditures</b>	<b>\$45,220,781</b>	<b>\$56,063,158</b>	<b>\$60,245,103</b>	<b>100.00%</b>	<b>\$4,181,945</b>



# Natural Resources

## FTEs, Authorized Positions, and Other Charges Positions

Total FY20 Proposed Authorized Positions of 311 are 0.92% of Total State FY20 Proposed Authorized Positions of 33,675.



■ Total FTEs (as of July 1 of each fiscal year)	371	377	353	370	336	302	291	281	280	-
■ Total Authorized Positions (Enacted)	380	380	367	393	347	324	327	312	308	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.

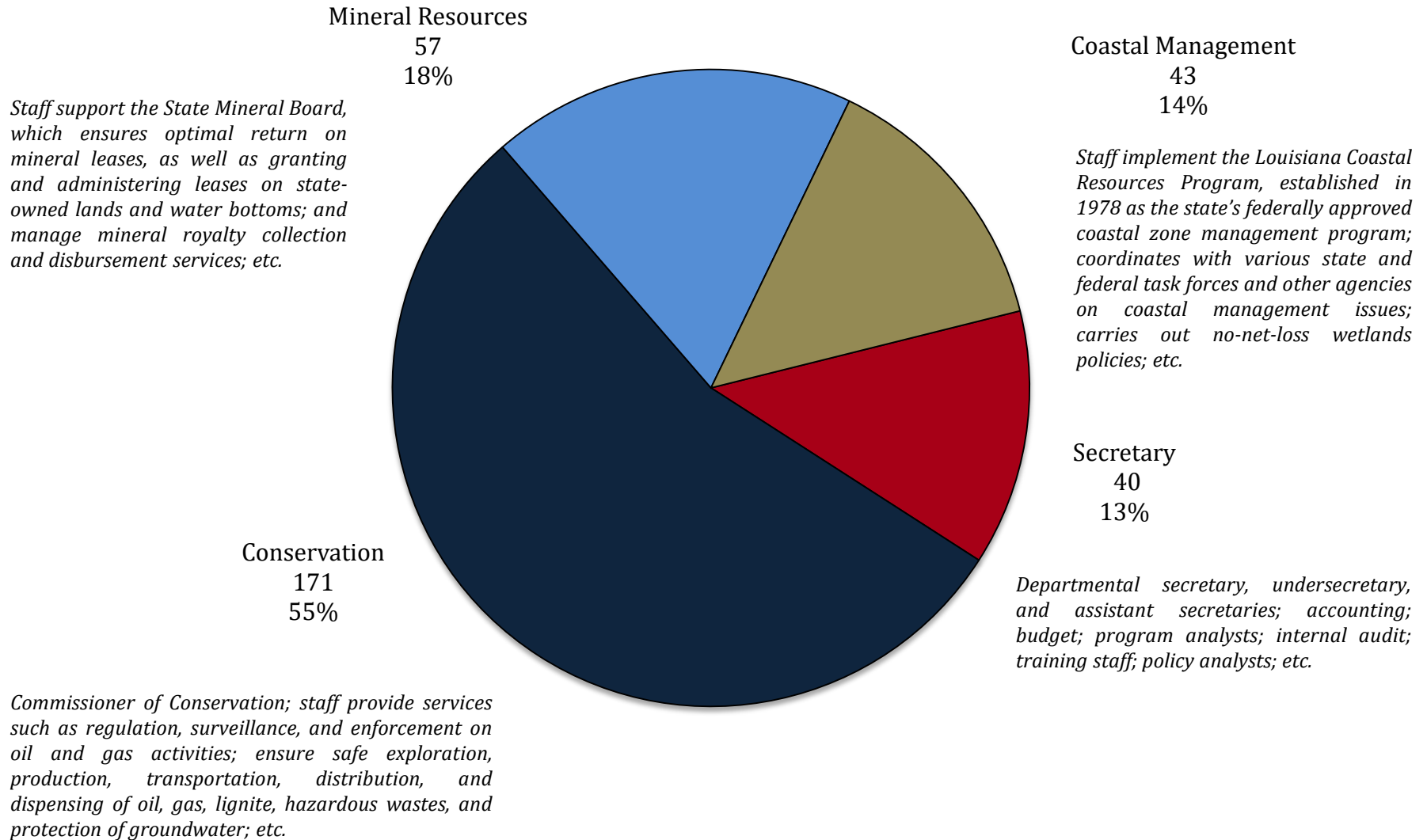
Data for Total Authorized Positions uses fiscal year enacted levels, except for FY20 Proposed.

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



# Natural Resources

## FY20 Proposed Total Authorized Positions by Agency





# Natural Resources

## Statewide Adjustments Proposed for FY20

State General Fund (Direct)	Interagency Transfers	Fees and Self-generated Revenues	Statutory Dedications	Federal Funds	Total	T.O.	Adjustment
\$51,781	\$186,279	\$0	\$301,655	\$95,044	\$634,759	0	Market Rate Salary Adjustment – Classified
\$6,199	\$14,203	\$0	\$34,708	\$11,264	\$66,374	0	Civil Service Training Series Adjustment
\$63,947	\$76,581	\$0	\$191,118	\$109,490	\$441,136	0	Related Benefits Base Adjustment
\$114,137	\$87,842	\$0	\$218,458	\$106,794	\$527,231	0	Retirement Rate Adjustment
\$0	\$8,832	\$0	\$44,629	\$8,635	\$62,096	0	Group Insurance Rate Adjustment for Active Employees
\$0	\$17,633	\$0	\$36,663	\$5,442	\$59,738	0	Group Insurance Rate Adjustment for Retirees
(\$22,942)	\$55,284	\$0	\$356,021	\$88,872	\$477,235	0	Salary Base Adjustment
(\$40,527)	(\$155,523)	\$0	(\$392,486)	(\$31,999)	(\$620,535)	0	Attrition Adjustment
\$0	\$0	\$0	\$229,233	\$15,559	\$244,792	0	Acquisitions & Major Repairs
\$0	\$0	\$0	(\$571,000)	(\$153,250)	(\$724,250)	0	Non-recurring Acquisitions & Major Repairs
\$0	\$0	\$0	(\$1,480,595)	\$0	(\$1,480,595)	0	Non-recurring Carryforwards
(\$1,440)	(\$3,002)	\$0	(\$2,736)	(\$247)	(\$7,425)	0	Risk Management
\$183	\$686	\$0	\$608	\$0	\$1,477	0	Legislative Auditor Fees
(\$89,971)	(\$347,068)	\$0	(\$294,586)	(\$4,959)	(\$736,584)	0	Rent in State-owned Buildings
\$83	\$0	\$0	\$95	\$0	\$178	0	Maintenance in State-owned Buildings
(\$17)	(\$10)	\$0	(\$47)	\$0	(\$74)	0	Capitol Park Security
(\$462)	\$92	\$0	\$18	\$5	(\$347)	0	UPS Fees
(\$1,446)	\$506	\$0	\$0	\$0	(\$940)	0	Civil Service Fees
(\$1,965)	\$0	\$0	(\$1,146)	\$0	(\$3,111)	0	State Treasury Fees
\$18,473	\$69,908	\$0	\$1,636	\$0	\$90,017	0	Office of Technology Services (OTS)
(\$1,262)	\$0	\$0	\$0	\$0	(\$1,262)	0	Administrative Law Judges
(\$5,861)	(\$2,260)	\$0	\$0	\$0	(\$8,121)	0	Office of State Procurement
\$0	(\$25,690)	\$0	\$0	\$0	(\$25,690)	0	Topographic Mapping
\$88,910	(\$15,707)	\$0	(\$1,327,754)	\$250,650	(\$1,003,901)	0	Total Statewide Adjustments



# Natural Resources

## Significant Adjustments for FY20

### Significant Increases for FY20

Increase	Source	T.O.	Agency	Description
\$3,646,017	Statutory Dedications	0	Office of the Secretary	Increases budget authority to fund anticipated FY20 Oilfield Site Restoration Fund projects.
\$806,555	Federal	0	Office of the Secretary	Increases funding for the Federal Energy Settlement Program for contracts to promote energy efficiencies and alternative energy.
\$447,687	Statutory Dedications	0	Office of Conservation	Increases funding out of the Oil and Gas Regulatory Fund due to reclassification of the petroleum analyst job series based on a civil service job study.
\$418,159	Statutory Dedications; Federal	3	Office of Conservation	Adds three (3) T.O. and associated funding in the Oil and Gas Regulatory Program to provide staffing to carry out the provisions of Act 435 of the 2016 Regular Session, which changed pipeline inspections and fees. Stat deds are out of the Oil and Gas Regulatory Fund (\$191,378) and Federal Funds are from the U.S. Dept. of Transportation Office of Pipeline Safety (\$226,781).
\$285,681	Statutory Dedications	0	Office of Coastal Management	Increases funding out of the Coastal Resource Trust Fund to cover costs for beneficial use projects to be completed by the CPRA.
\$175,822	Interagency Transfers	0	Office of Coastal Management	Adds IAT budget authority to receive funds from the Office of the Secretary to cover a cost increase in the Providence Technical contract that is used for coastal use permits and legal services related to coastal litigation.
\$152,509	State General Fund	0	Office of the Secretary	Adds funding to cover the administrative services cost allocation share for the Office of Coastal Management that is provided by the Office of the Secretary.
\$100,000	Statutory Dedications	0	Office of Conservation	Increases funding out of the Underwater Obstruction Removal Fund due to an anticipated increase in the number obstruction removal projects for FY20.
\$25,000	Interagency Transfers	0	Office of Mineral Resources	Adds IAT budget authority for the Platts energy market data subscription. Mineral Resources incurs the cost for this subscription and is then reimbursed by the Division of Administration and the Department of Revenue.



# Natural Resources Significant Adjustments for FY20

## Significant Decreases for FY20

Decrease	Source	T.O.	Agency	Description
(\$653,927)	State General Fund	0	Office of Mineral Resources	Reduces funding for indirect costs from Mineral Resources being allocated to other means of financing and other agencies within DNR.
(\$110,639)	Fees and Self-generated Revenues	0	Office of the Secretary	Decreases funding for SONRIS data subscription requests being converted to a digital online system.
(\$78,212)	State General Fund	0	Office of Conservation	Reduces SGF funding which will be replaced by other means of finance within DNR for general operating expenses.
(\$24,142)	State General Fund	0	Office of the Secretary	Reduces SGF funding which will be replaced by other means of finance within DNR for general operating expenses.
(\$4,664)	State General Fund	0	Office of Coastal Management	Reduces SGF funding which will be replaced by other means of finance within DNR for general operating expenses.

## Significant Means of Financing Substitutions for FY20

MOF Swap	Source	T.O.	Agency	Description
\$0	State General Fund; Statutory Dedications	0	Office of Mineral Resources	Decreases SGF by (\$228,320) and increases Statutory Dedications out of the Mineral and Energy Operation Fund by \$228,320 due to an increase in collections from lease sales on state water bottoms.



## Comparison Adjustments to the State General Fund in the FY20 Continuation, Standstill and Proposed Budgets FY19 EOB, HB103, and HB105 Comparison

Natural Resources	FY19 EOB	FY20 Proposed Budget	FY20 Continuation Budget	FY20 Standstill Budget	DIFFERENCE					
					CONTINUATION OVER/(UNDER) FY19 EOB	STANDSTILL OVER/(UNDER) FY19 EOB	CONTINUATION OVER/(UNDER) STANDSTILL	PROPOSED OVER/(UNDER) CONTINUATION	PROPOSED OVER/(UNDER) STANDSTILL	PROPOSED OVER/(UNDER) FY19 EOB
STATE GENERAL FUND	\$8,743,801	\$7,995,955	\$8,857,998	\$8,857,998	\$114,197	\$114,197	\$0	(\$862,043)	(\$862,043)	(\$747,846)

### Continuation Budget, Standstill Budget, and Proposed Budget

- The increase of \$114,197 in the Continuation and Standstill budgets vs. the FY19 Existing Operating Budget are from Statewide Adjustments.
- The \$862,043 difference between the adjustments for the Proposed Budget versus the Continuation and Standstill Budgets results from:
  - Total decreases of (\$107,018) tied to reductions in State General Fund for general operating expenses to be covered by other means of finance within DNR;
  - An MOF swap decreasing State General Fund and increasing statutory dedications out of the Mineral and Energy Operating Fund due to an increase in collections (net decrease of \$228,320);
  - A net decrease of (\$653,927) for reallocation of funding for indirect costs in the Office Mineral Resources being allocated to other means of financing and agencies within DNR; and
  - An increase of \$152,509 in the Office of the Secretary to cover administrative services cost allocation from the Office of Coastal Management.
- The \$747,846 reduction between FY20 Proposed and FY19 EOB is due to net Statewide Adjustments of \$88,910 in State General Fund, an MOF swap reducing State General Fund and increasing statutory dedications out of the Mineral and Energy Operating Fund due to an increase in collections (net decrease of \$228,320), and net total line-item adjustments resulting in a decrease of (\$608,436) in State General Fund.

### Difference between the Governor's Proposed Budget (HB 103 by Rep. Leger) and House Bill No. 105 by Rep. Henry

For this department, there is no difference in State General Fund between the FY20 budget proposed by the governor (HB 103) and the amount contained in HB 105.

DEPARTMENT	EOB as of 12/01/2018	HB 103 REP. LEGER	HB 105 REP. HENRY	HB 105 OVER/(UNDER) HB 103
Department of Natural Resources	\$8,743,801	\$7,995,955	\$7,995,955	\$0



# DNR – Audit Findings

## **Louisiana Department of Natural Resources – Procedural Report**

August 22, 2018

DNR did not have written criteria in place for waiving civil penalties assessed by the Office of Conservation and late registration penalties assessed by the Office of Mineral Resources, increasing the risk of inconsistent enforcement actions. In addition, the Office of Conservation did not take timely and consistent action against operators of abandoned wells that were not maintained, and DNR did not deactivate personal identification numbers associated with fuel cards for individuals no longer employed with the Department in a timely manner.