

Louisiana Senate Finance Committee



FY22 Recommended Budget

11 – Natural Resources

March 2021

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

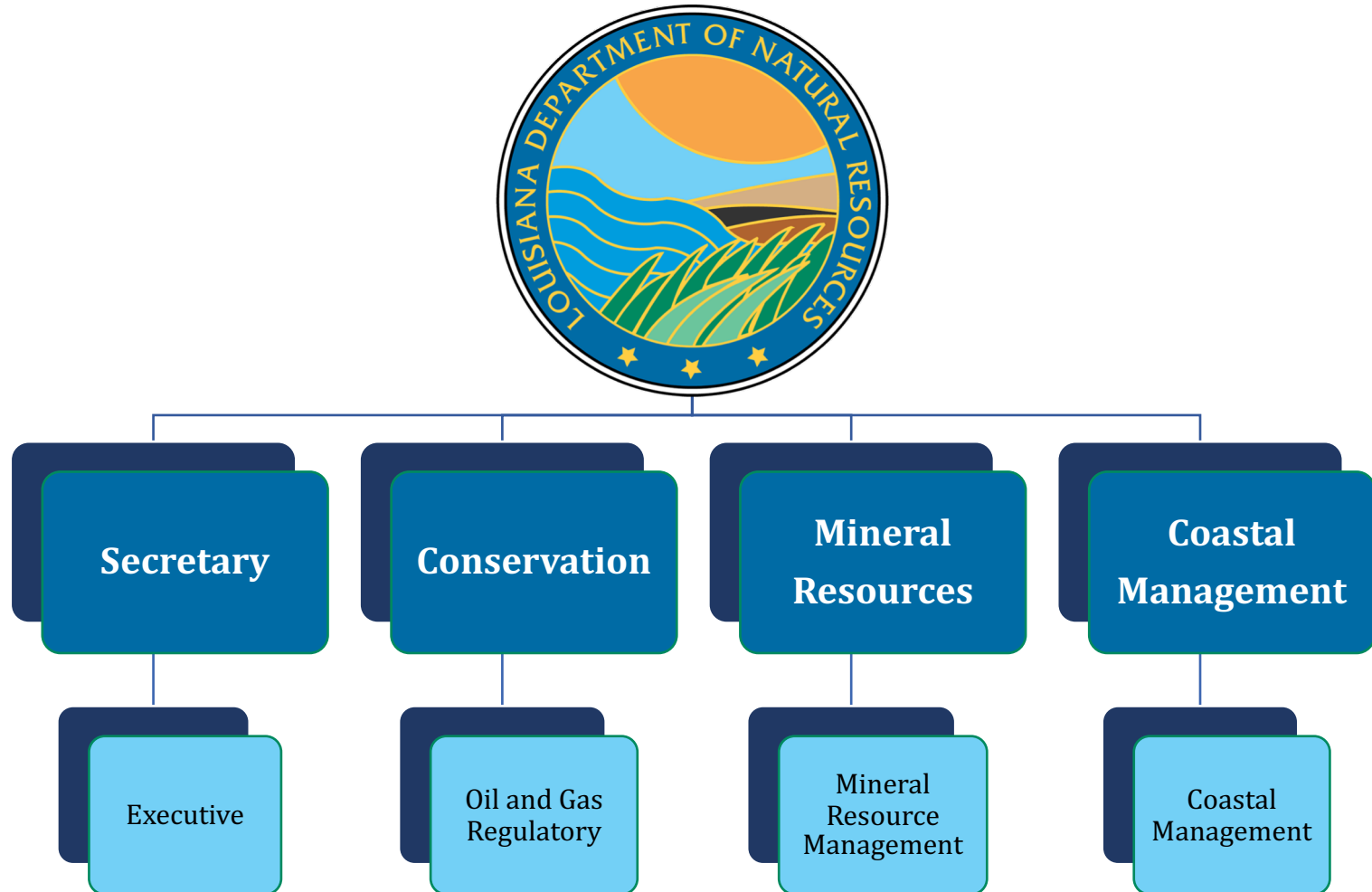




FY22 Recommended Budget

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.

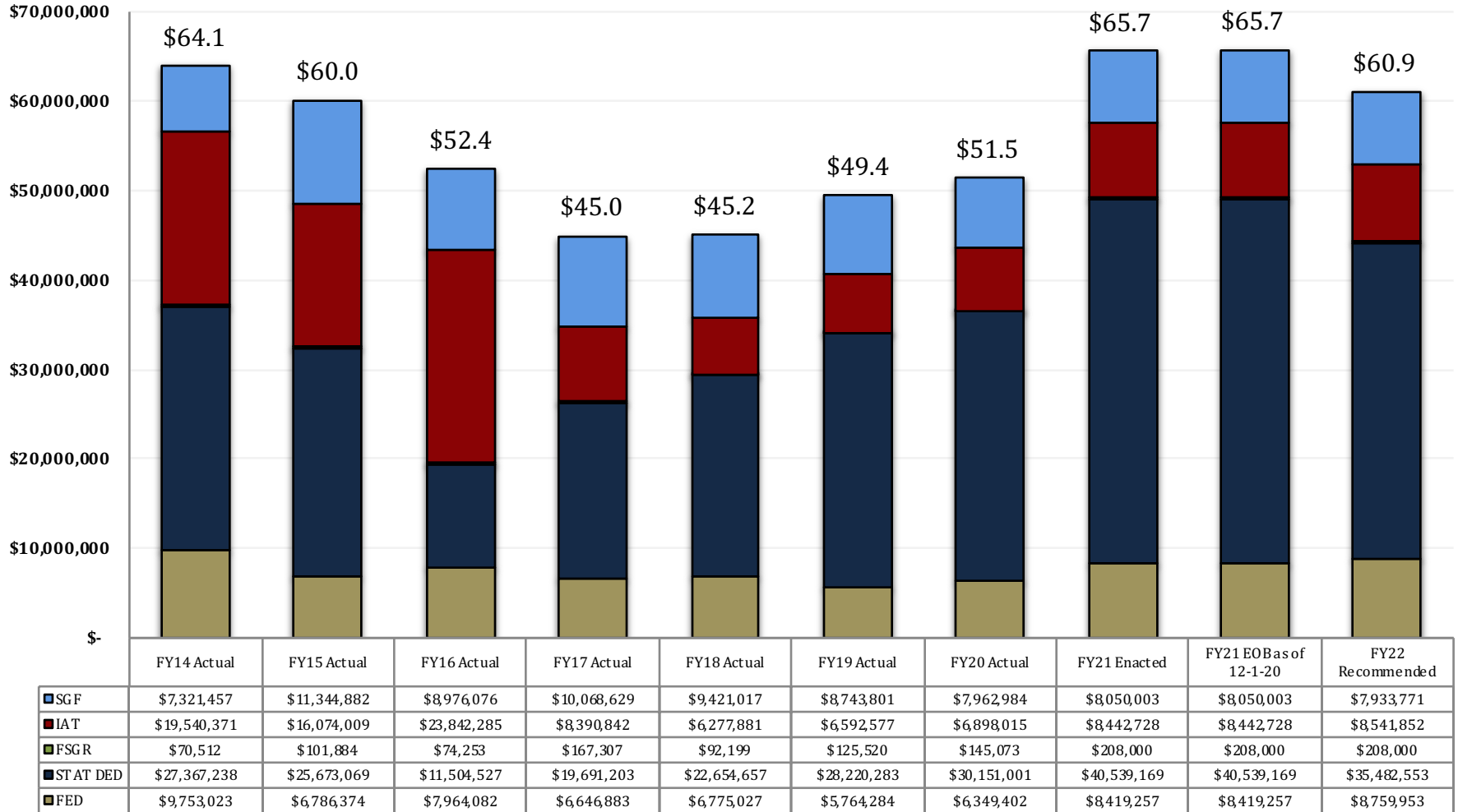


Natural Resources

Changes in Funding since FY14

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

Change from FY14 to FY22 is -5%.
Change from FY14 to FY20 is -19.7%.





Natural Resources

Statewide Adjustments for FY22

State General Fund (Direct)	Interagency Transfers	Fees and Self-generated Revenues	Statutory Dedications	Federal Funds	Total	T.O.	Adjustment
\$8,050,003	\$8,442,728	\$208,000	\$40,539,169	\$8,419,257	\$65,659,157	311	FY21 Existing Operating Budget as of 12-1-20
\$0	\$329,222	\$0	\$181,458	\$153,156	\$663,836	0	Market Rate Salary Adjustment – Classified
\$0	\$45,084	\$0	\$15,598	\$0	\$60,682	0	Civil Service Training Series Adjustment
\$0	(\$123,734)	\$0	(\$155,649)	\$0	(\$279,383)	0	Related Benefits Base Adjustment
\$0	(\$79,986)	\$0	(\$39,402)	\$0	(\$119,388)	0	Retirement Rate Adjustment
\$0	\$48,407	\$0	\$22,341	\$0	\$70,748	0	Group Insurance Rate Adjustment for Active Employees
\$0	\$32,195	\$0	\$31,495	\$0	\$63,690	0	Group Insurance Rate Adjustment for Retirees
\$0	\$354,429	\$0	\$20,441	\$0	\$374,870	0	Salary Base Adjustment
\$0	(\$391,747)	\$0	(\$207,565)	\$0	(\$599,312)	0	Attrition Adjustment
\$0	(\$65,204)	\$0	(\$183,659)	\$0	(\$248,863)	(3)	Personnel Reductions
\$0	\$0	\$0	\$88,038	\$72,500	\$160,538	0	Acquisitions and Major Repairs
\$0	\$0	\$0	(\$61,928)	(\$70,250)	(\$132,178)	0	Non-recurring Acquisitions and Major Repairs
(\$583)	(\$8,525)	\$0	(\$1,447)	\$77	(\$10,478)	0	Risk Management
\$10,134	\$1,650	\$0	\$0	\$0	\$11,784	0	Legislative Auditor Fees
(\$89,113)	\$0	\$0	\$606	\$0	(\$88,507)	0	Rent in State-owned Buildings
\$312	\$29	\$0	\$994	\$85	\$1,420	0	Maintenance in State-owned Buildings
\$5,789	\$8,043	\$0	\$12,877	\$674	\$27,383	0	Capitol Park Security
\$71	\$7	\$0	\$225	\$19	\$322	0	Capitol Police
\$135	\$107	\$0	\$368	\$31	\$641	0	UPS Fees
(\$612)	\$0	\$0	(\$1,133)	\$0	(\$1,745)	0	Civil Service Fees
(\$234)	\$0	\$0	(\$191)	\$0	(\$425)	0	State Treasury Fees
(\$38,924)	\$0	\$0	(\$8,894)	\$0	(\$47,818)	0	Office of Technology Services (OTS)
(\$904)	\$0	\$0	\$0	\$0	(\$904)	0	Administrative Law Judges
(\$2,303)	(\$3,144)	\$0	\$0	\$0	(\$5,447)	0	Office of State Procurement
(\$116,232)	\$146,833	\$0	(\$285,427)	\$156,292	(\$98,534)	(3)	Total Statewide Adjustments
\$0	(\$49,293)	\$0	\$0	\$49,293	\$0	0	Total Means of Financing Substitution Adjustments
\$0	\$0	\$0	(\$5,000,000)	\$0	(\$5,000,000)	0	Total Non-Recurring Other Adjustments
\$0	\$1,584	\$0	\$228,811	\$135,111	\$365,506	3	Total Other Adjustments
\$7,933,771	\$8,541,852	\$208,000	\$35,482,553	\$8,759,953	\$60,926,129	311	Total FY22 Recommended Budget



Natural Resources

Non-Statewide Adjustments for FY22

Means of Financing Substitutions

State General Fund (Direct)	Interagency Transfers	Fees and Self-generated Revenues	Statutory Dedications	Federal Funds	Total	T.O.	Adjustment
\$0	(\$49,293)	\$0	\$0	\$49,293	\$0	0	Secretary - Executive — Means of finance substitution replacing Interagency Transfers with Federal Funds in anticipation of increased Federal grant funding.
\$0	(\$49,293)	\$0	\$0	\$49,293	\$0	\$0	Total MOF Substitutions

Non-Recurring Other Adjustments

State General Fund (Direct)	Interagency Transfers	Fees and Self-generated Revenues	Statutory Dedications	Federal Funds	Total	T.O.	Adjustment
\$0	\$0	\$0	(\$5,000,000)	\$0	(\$5,000,000)	0	Coastal Management -- Reduction of Statutory Dedications out of the Coastal Resources Trust Fund for anticipated completion of three Beneficial Use Projects in FY21 that are IAT expenditures to CPRA's Capital Outlay budget. The projects are Caminada Headland Back Barrier Marsh Creation (\$3 m.), South Pass Bird Island Enhancement (\$500,000), and Cameron Meadows Marsh Creation and Terracing (\$1,500,000).
\$0	\$0	\$0	(\$5,000,000)	\$0	(\$5,000,000)	0	Total Non-Recurring Other Adjustments

Other Adjustments

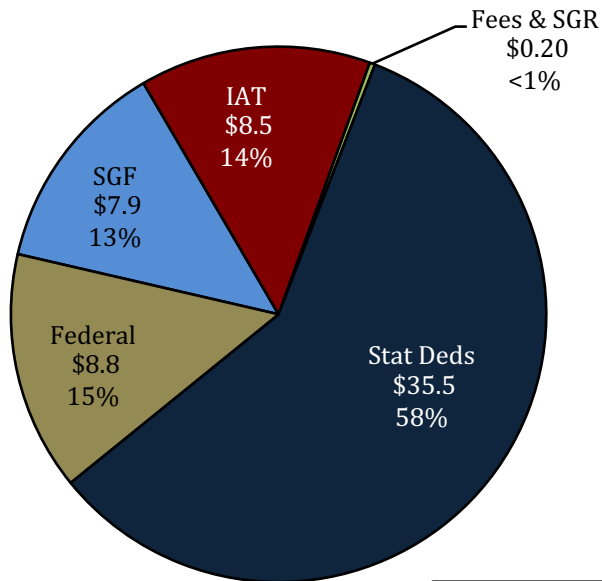
State General Fund (Direct)	Interagency Transfers	Fees and Self-generated Revenues	Statutory Dedications	Federal Funds	Total	T.O.	Adjustment
\$0	\$0	\$0	\$270,223	\$135,111	\$405,334	3	Oil and Gas Regulatory -- Provides for an increase in Statutory Dedications out of the Oil and Gas Regulatory Fund and Federal Funds (Injection and Mining Grant) for the implementation of the Carbon Dioxide Sequestration Program and three (3) additional positions. This program will be used to reduce the amount of carbon dioxide in the atmosphere. DNR is also reassigning an existing vacant position within the Office of the Secretary to be a part of this program.
\$0	\$0	\$0	(\$49,293)	\$0	(\$49,293)	0	Oil and Gas Regulatory -- Reduction to Statutory Dedications out of the Oil and Gas Regulatory Fund due to agency projected revenue. This reduces the transferring expenditure to the Office of the Secretary. This reduction is due to the most recent Revenue Estimating Conference.
\$0	\$ 1,584	\$0	\$0		\$1,584	0	Mineral Resources Mgt -- Provides for 1,000 annual S&P Global Platts data subscriptions/licenses. S&P Global Platts is the leading independent provider of information, benchmark prices and analytics for the energy and commodities markets. These subscriptions/licenses are financed by DNR with the assistance of interagency transfers from the Division of Administration and the Department of Revenue.
\$0	\$0	0	\$7,881	\$0	\$7,881	0	Mineral Resources Mgt -- Provides for the maps and well logs for lease sales/reviews and gas out of Statutory Dedications, Mineral and Energy Operation Fund for Mineral auditors who have to go out in the field to do field inspections.
\$0	\$1,584	\$0	\$228,811	\$135,111	\$365,506	3	Total Other Adjustments



Natural Resources

FY22 Recommended Means of Finance

**FY22 Recommended
Total Means of Finance
(In Millions)**



Total \$60.9 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	FY20 Actual	FY21 EOB as of 12-1-20	FY22 Recommended
Coastal Resources Trust Fund	Fees/Federal Revenue Sharing	\$1,416,696	\$5,751,113	\$751,113
Fisherman's Gear Compensation Fund	Fees from oil and gas lease holders	\$493,921	\$632,000	\$632,000
Mineral and Energy Operation Fund	Judgments/Settlements/Fees/Other Sources	\$3,036,608	\$4,776,933	\$4,575,657
Oil and Gas Regulatory Fund	Fees/Fines/Civil Penalties/Annual Assesments on Inactive, Unplugged Wells	\$15,478,148	\$16,266,859	\$16,505,155
Oil Spill Contingency Fund	Fees/Taxes/Penalties/Judgments/Reimbursements/ Charges/Federal Funds	\$171,914	\$203,399	\$203,399
Oilfield Site Restoration Fund	Annual Assesments on Inactive, Unplugged Wells	\$9,553,714	\$12,558,865	\$12,465,229
Underwater Obstruction Removal Fund	Private contributions/ Interest/Grants/Donations/ Allocations/R.S. 56:700.2(A)(4)	\$0	\$350,000	\$350,000
TOTALS		\$30,151,001	\$40,539,169	\$35,482,553

DNR has two funds that are budgeted at over \$10 million for FY22 Recommended.

The largest dedicated fund is the Oil and Gas Regulatory Fund, which is recommended at \$16.5 million for FY22. This is an increase of about \$230,000 when compared to FY21 EOB.

The next largest fund, the Oilfield Site Restoration Fund, is budgeted at nearly \$12.5 million for FY22 Recommended, a decrease of \$102,636 when compared to FY21 EOB.

Also of note is the decrease of \$5 million in the Coastal Resources Trust Fund from \$5.75 million in FY21 EOB to \$751,113 in FY22 Recommended. This is due to completion of three beneficial use projects that are IAT expenditures in CPRA's capital budget (*see Non-Recurring Other Adjustments*).



Natural Resources

FY21 Enacted vs. FY22 Recommended Comparison

FY21 Enacted Total MOF by Agency	SGF	IAT	FSGR	Stat Deds	Federal	Total	T.O.
Office of the Secretary	\$1,334,683	\$3,353,864	\$150,000	\$13,190,865	\$2,959,316	\$20,988,728	37
Conservation	\$2,706,915	\$1,459,783	\$19,000	\$16,616,859	\$3,038,486	\$23,841,043	172
Mineral Resources	\$3,840,826	\$575,260	\$20,000	\$4,776,933	\$0	\$9,213,019	58
Coastal Management	\$167,579	\$3,053,821	\$19,000	\$5,954,512	\$2,421,455	\$11,616,367	44
TOTALS	\$8,050,003	\$8,442,728	\$208,000	\$40,539,169	\$8,419,257	\$65,659,157	311
FY22 Recommended Total MOF by Agency	SGF	IAT	FSGR	Stat Deds	Federal	Total	T.O.
Office of the Secretary	\$1,205,378	\$3,303,243	\$150,000	\$13,097,229	\$3,008,609	\$20,764,459	37
Conservation	\$2,714,386	\$1,502,261	\$19,000	\$16,855,155	\$3,329,889	\$24,420,691	174
Mineral Resources	\$3,847,497	\$578,449	\$20,000	\$4,575,657	\$0	\$9,021,603	56
Coastal Management	\$166,510	\$3,157,899	\$19,000	\$954,512	\$2,421,455	\$6,719,376	44
TOTALS	\$7,933,771	\$8,541,852	\$208,000	\$35,482,553	\$8,759,953	\$60,926,129	311
<i>Difference FY21 Enacted to FY22 Recommended</i>	<i>(\$116,232)</i>	<i>\$99,124</i>	<i>\$0</i>	<i>(\$5,056,616)</i>	<i>\$340,696</i>	<i>(\$4,733,028)</i>	<i>-</i>

In terms of overall funding from FY21 Enacted to FY22 Recommended, DNR showed a decrease of \$4.7 million, or -8 percent.

That decrease is largest in Coastal Management, which declined from \$11.6 million at FY21 Enacted to \$6.7 million for FY22 Recommended, a fall of 43 percent. The Office of the Secretary dropped by -\$224,269 and the Office of Mineral Resources decreased by -\$191,416.

The Office of Conservation grew by \$579,648 -- the only agency to show an increase from FY21 Enacted to FY22 Recommended.

In terms of Means of Financing, State General Fund (-\$116,232) and Statutory Dedications (-\$5,056,616) both dropped, while Interagency Transfers and Federal Funds increased. There was no change in Fees and Self-generated Revenues.

Changes in T.O. include an increase of two positions in Conservation with a decrease of two positions in Mineral Resources. The overall total T.O. did not change.



Natural Resources Expenditures

FY20, FY21, and FY22

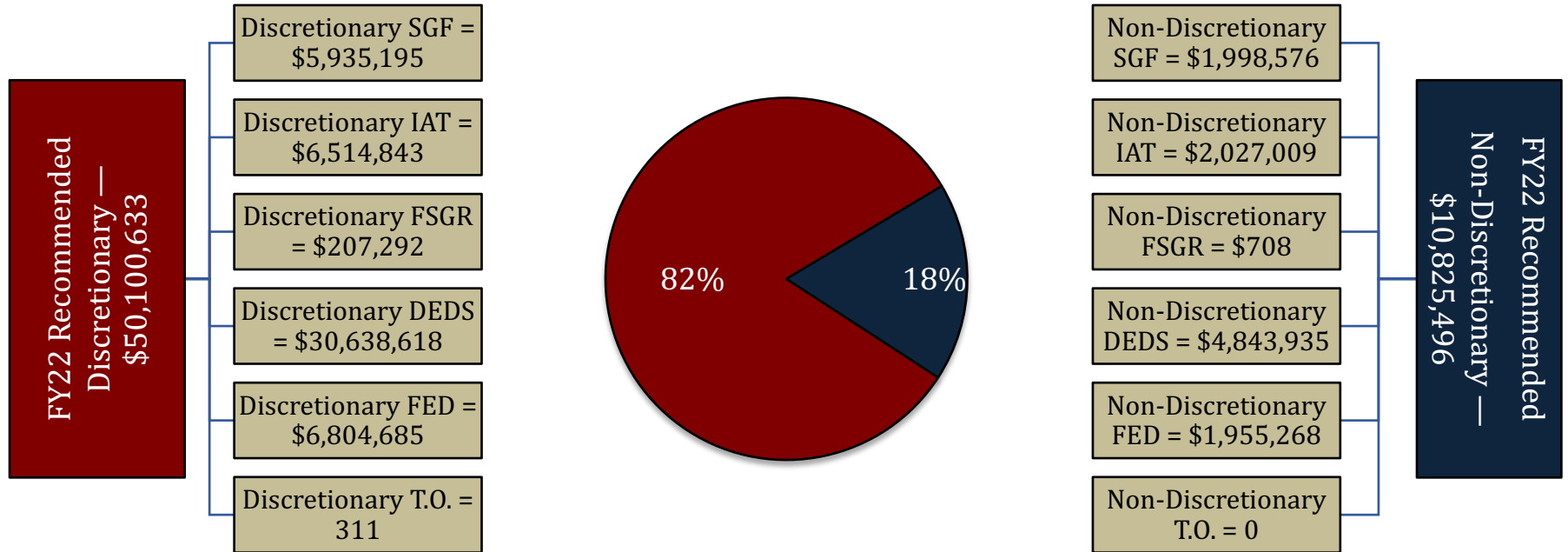
Expenditure Category	FY20 Actual	FY21 EOB (as of 12-01-20)	FY22		Difference FY21 to FY22
			Recommended Budget	Category as Percent of Total	
Personal Services:	\$31,227,399	\$34,283,290	\$34,675,504	56.91%	\$392,214
Salaries	\$19,173,606	\$20,700,966	\$21,305,154	34.97%	\$604,188
Other Compensation	\$127,358	\$264,944	\$264,944	0.43%	\$0
Related Benefits	\$11,926,435	\$13,317,380	\$13,105,406	21.51%	(\$211,974)
Operating Expenses:	\$9,517,200	\$12,714,331	\$12,885,233	21.15%	\$170,902
Travel	\$239,024	\$375,610	\$375,610	0.62%	\$0
Operating Services	\$9,051,561	\$11,814,983	\$11,978,004	19.66%	\$163,021
Supplies	\$226,615	\$523,738	\$531,619	0.87%	\$7,881
Professional Services	\$185,774	\$450,779	\$450,779	0.74%	\$0
Other Charges:	\$10,262,443	\$18,078,579	\$12,754,075	20.93%	(\$5,324,504)
Other Charges	\$1,120,142	\$2,277,563	\$2,114,542	3.47%	(\$163,021)
Debt Service	\$0	\$0	\$0	0.00%	\$0
Interagency Transfers	\$9,142,301	\$15,801,016	\$10,639,533	17.46%	(\$5,161,483)
Acquisitions & Major Repairs:	\$313,659	\$132,178	\$160,538	0.26%	\$28,360
Acquisitions	\$313,659	\$132,178	\$160,538	0.26%	\$28,360
Major Repairs	\$0	\$0	\$0	0.00%	\$0
Total Expenditures	\$51,506,475	\$65,659,157	\$60,926,129	100.00%	(\$4,733,028)

Other Charges — The largest sources of *Other Charges* expenditures include the State Energy Program (Clean Cities, Home Energy Loan Program, Energy Analysis, Energy Dissemination) at \$504,869; Fisherman's Gear Fund claims at \$421,710; and Local Coastal Programs – Aid to Political Subdivisions at \$483,165.



Natural Resources

FY22 Discretionary/Non-Discretionary Comparison



Total Discretionary Funding by Office		
Office of the Secretary	\$ 17,984,272	36%
Conservation	\$ 19,560,968	39%
Mineral Resources	\$ 7,115,998	14%
Coastal Management	\$ 5,439,395	11%
Total Discretionary	\$ 50,100,633	100%

Total Non-Discretionary Funding by Type		
Required by the Constitution (UAL)	\$ 6,792,345	63%
Rent in State-Owned Buildings	\$ 1,113,585	10%
Retirees Group Insurance	\$ 2,748,317	25%
Legislative Auditor Fees	\$ 171,249	2%
Total Non-Discretionary	\$ 10,825,496	100%



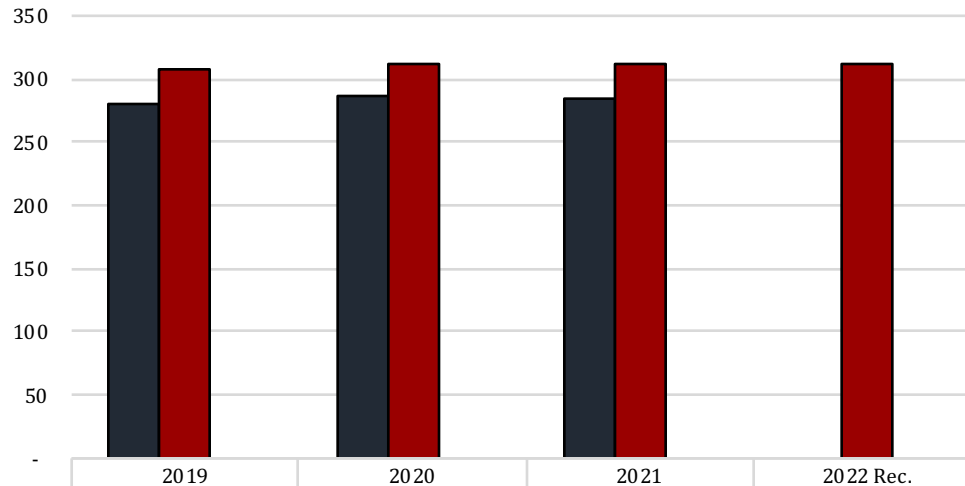
Natural Resources

FTEs, Authorized, and Other Charges Positions and Related Employment Information

Number and Types of Positions

This Department Represents 1% Percent of Total State Positions of 34,081.

FY21 number of funded, but not filled, positions as of March 1 = 36



	2019	2020	2021	2022 Rec.
■ Total FTEs (1st July Report)	280	286	285	-
■ Authorized Positions	308	311	311	311
■ Other Charges Positions	-	-	-	-

Department Demographics	Total	%
Gender		
Female	124	41.9
Male	172	58.1
Race/Ethnicity		
White	253	85.5
Black	29	9.8
Asian	3	1.1
Indian	1	0.4
Declined to State	10	3.4
Eligible to Retire w/in 1 year	71	24

* Remaining Benefits include employer contribution to authorized positions' retirement, health, Medicare, FICA, Emoluments etc. The authorized positions include authorized T.O. positions and authorized other charges positions, both filled and vacant.

Personal Services	2019 Actual	2020 Actual	2021 Enacted	2022 Recommended
Salaries	\$17,948,612	\$19,173,606	\$20,700,966	\$21,305,154
Other Compensation	\$124,998	\$127,358	\$264,944	\$264,944
Related Benefits	\$10,939,612	\$11,926,435	\$13,317,380	\$13,105,406
Total Personal Services	\$29,013,222	\$31,277,399	\$34,283,290	\$34,675,504

Examples of Other Compensation include pay for WAE employees, part-time employees, student workers, etc.

Other Charges Benefits
\$0

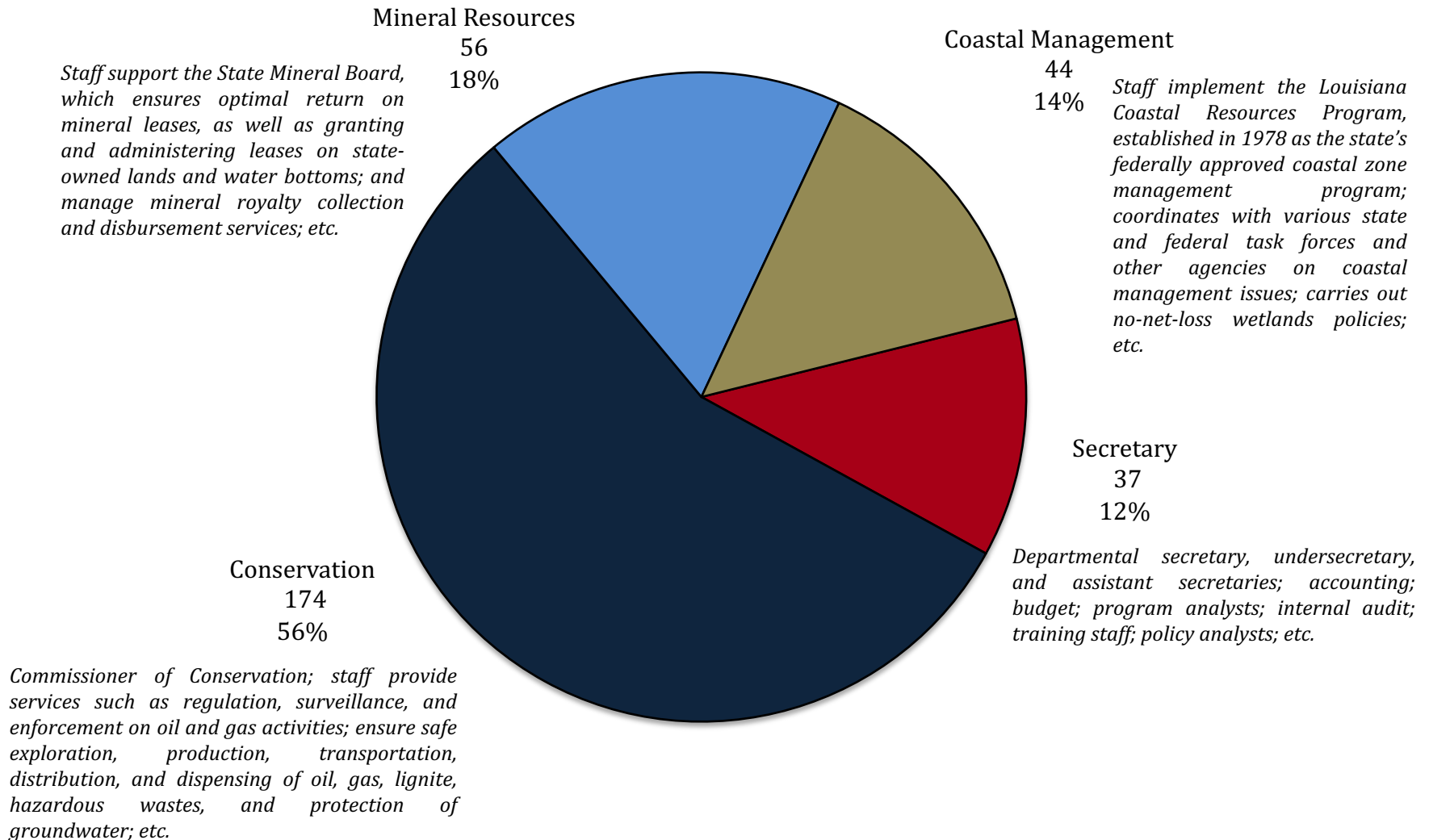
Related Benefits FY22 Recommended	Total Funding	%
Total Related Benefits	\$13,105,406	
UAL payments	\$6,792,345	52%
Retiree Health Benefits	\$2,748,317	
Remaining Benefits*	\$3,564,744	
Means of Finance	General Fund = 18%	Other = 82%

Average Salary = \$67,730



Natural Resources

FY22 Recommended Total Authorized Positions by Agency

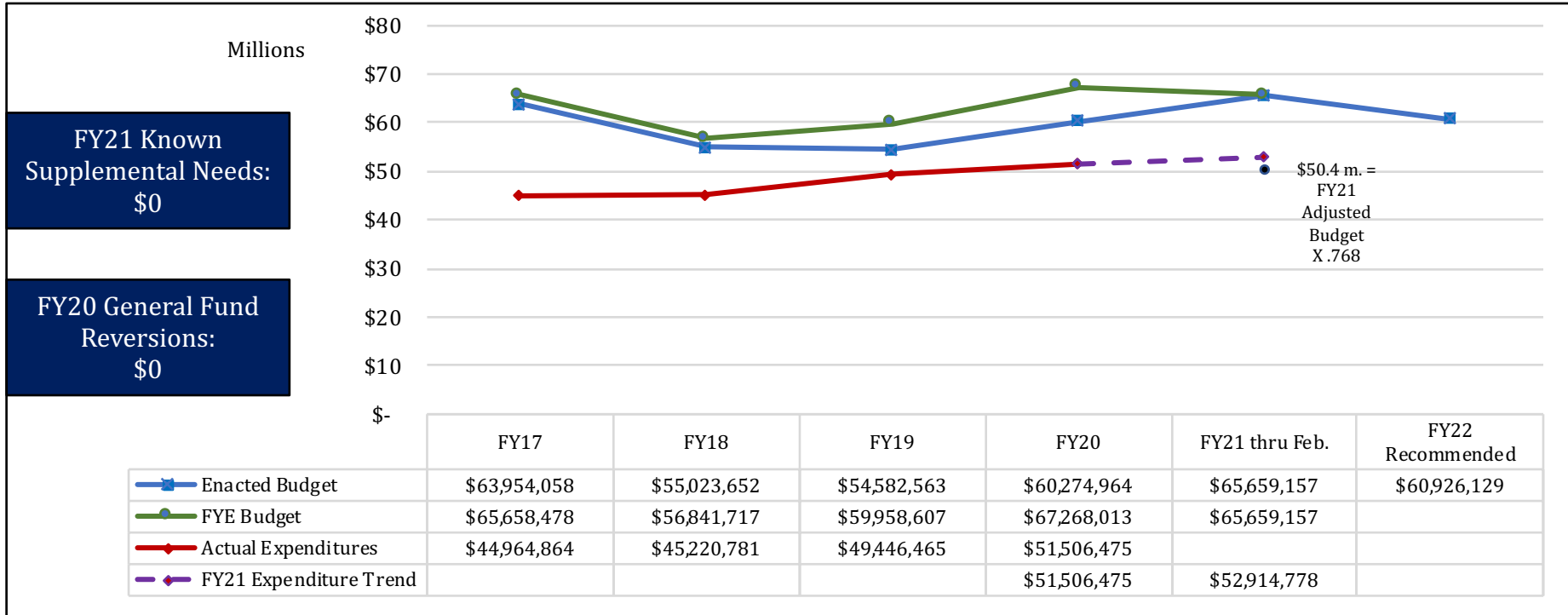




Natural Resources

Enacted & FYE Budget vs. Actual Expenditures FY17 to FY20

FYE Budget = "Fiscal Year End" Budget includes all in-house and regular BA-7s through June 30 of the fiscal year. For FY21, it is as of February.



Monthly Budget Activity				
	FY21 Adjusted Budget	FY21 Aggregate Expenditures	Remaining Budget Authority	Percent Expended To Date
Jul-20	\$ 65,659,157	\$ 3,497,275	\$ 62,161,882	5.3%
Aug-20	\$ 65,659,157	\$ 6,941,261	\$ 58,717,896	10.6%
Sep-20	\$ 65,659,157	\$ 13,083,307	\$ 52,575,850	19.9%
Oct-20	\$ 65,659,157	\$ 21,081,431	\$ 44,577,726	32.1%
Nov-20	\$ 65,659,157	\$ 22,911,709	\$ 42,747,448	34.9%
Dec-20	\$ 65,659,157	\$ 27,142,341	\$ 38,516,816	41.3%
Jan-21	\$ 65,659,157	\$ 30,710,090	\$ 34,949,067	46.8%

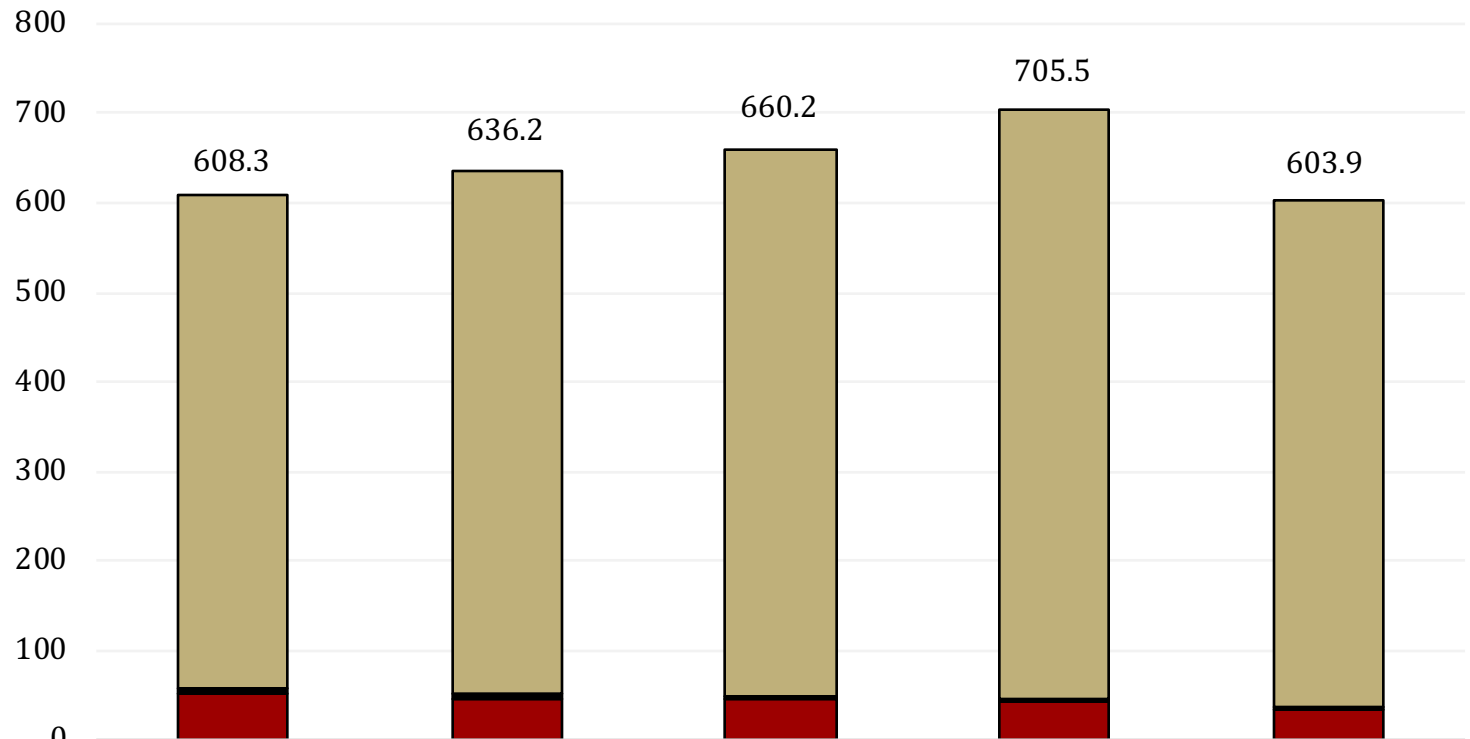
Monthly Budget Activity				
	FY21 Adjusted Budget	FY21 Aggregate Expenditures	Remaining Budget Authority	Percent Expended To Date
Feb-21	\$ 65,659,157	\$ 34,944,777	\$ 30,714,380	53.2%
<i>(Trend based on average monthly expenditures to date)</i>				
Mar-21	\$ 65,659,157	\$ 39,437,277	\$ 26,221,880	60.1%
Apr-21	\$ 65,659,157	\$ 43,929,778	\$ 21,729,379	66.9%
May-21	\$ 65,659,157	\$ 48,422,278	\$ 17,236,879	73.7%
Jun-21	\$ 65,659,157	\$ 52,914,778	\$ 12,744,379	80.6%
Historical Year End Average				76.8%



Louisiana Total Crude Oil and Condensate Production

Five-Year History

In millions
of barrels



	2016	2017	2018	2019	2020
GOM Central	551.7	584.2	611.2	659.7	566.0
Offshore State (Barrels)	5.3	4.2	4.0	4.2	3.6
Onshore	51.3	46.8	45.0	41.6	34.3

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

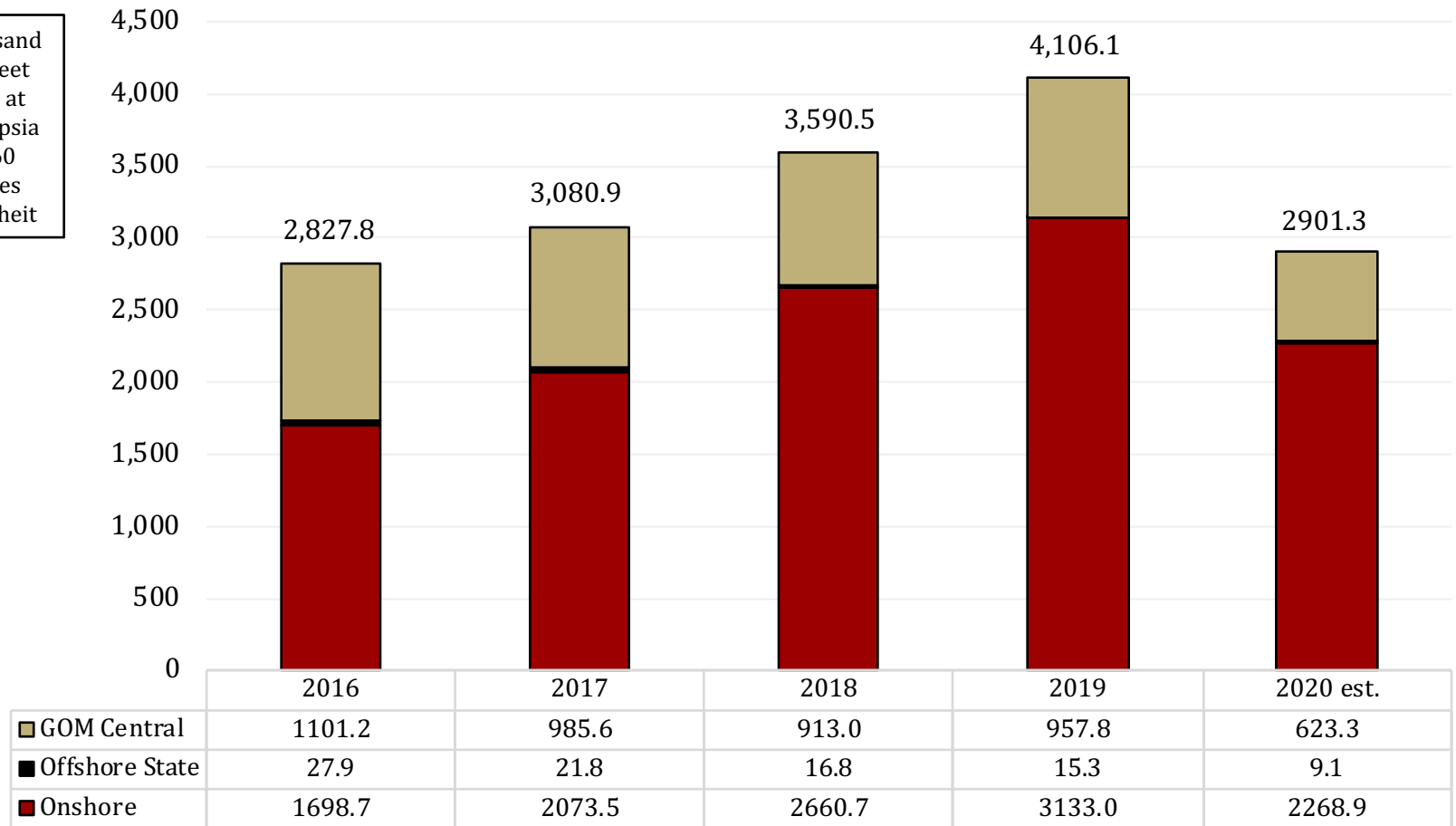
Source: Office of Conservation, as of January 5, 2021.



Louisiana Total Natural Gas and Casinghead Gas Production

Five-Year History

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



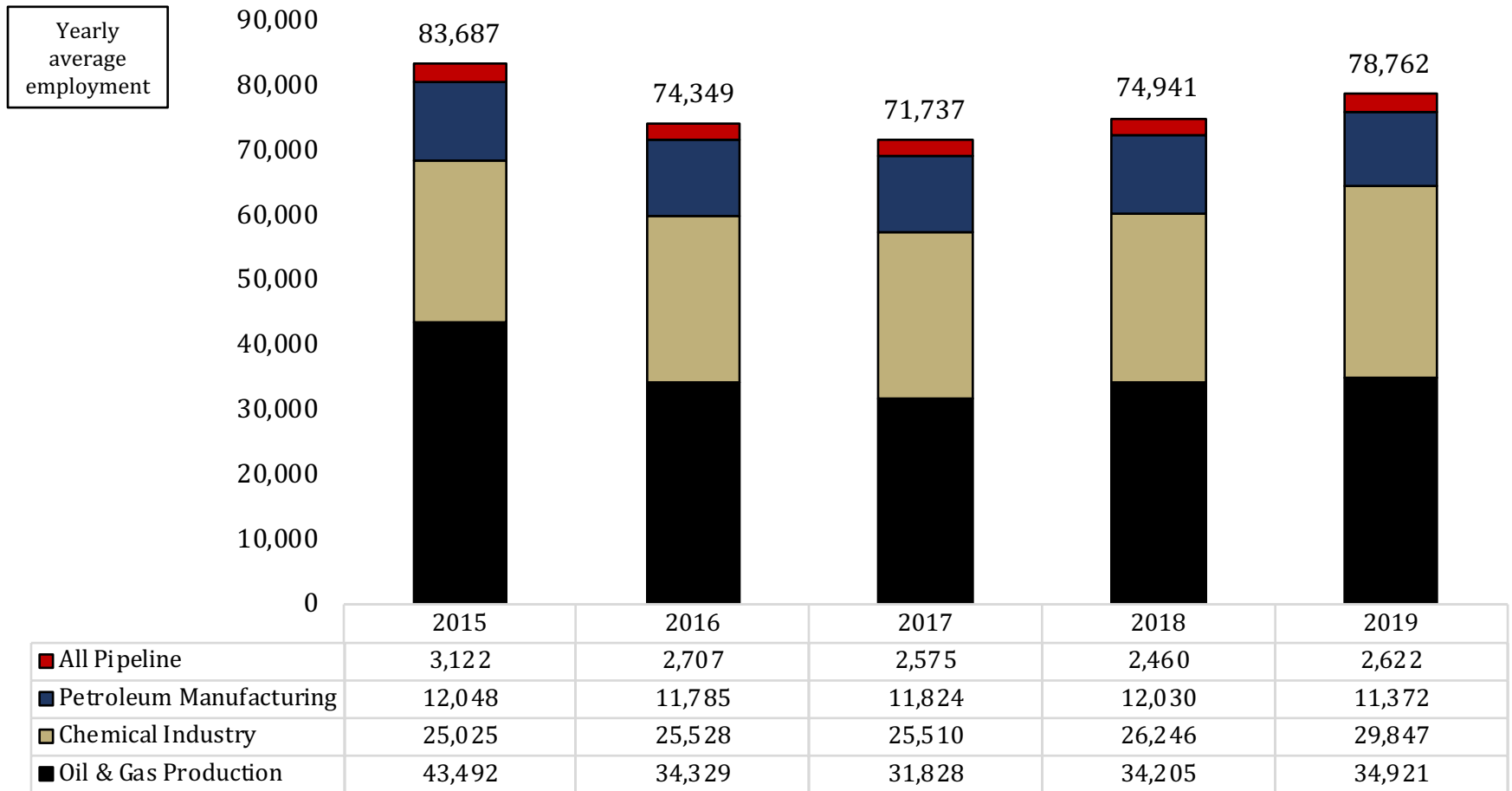
GOM Central = Oil production from OCS Central region in the Gulf of Mexico.

Source: Office of Conservation, as of January 11, 2021.



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)
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
2018	4,403	1,861	402,735	8,379	17,247	1,226

- The U.S. Energy Information Administration ranked Louisiana No. 2 per capita in energy consumption in 2018, slipping from No. 1 in 2017. Wyoming was ranked No. 1 in 2018.
- Most of the state's consumption (excluding losses) is from the Industrial Sector (2,860 trillion BTUs), followed by Transportation (578.8 trillion BTUs), Residential (153.4 trillion BTUs), and Commercial (129.5 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.*