

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 389** HLS 17RS 531

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 25, 2017 6:46 PM	Author: CARMODY
Dept./Agy.: Natural Resources	Analyst: Willis Brewer
Subject: Pipeline utilities and facilities regulation	

UTILITIES

OR INCREASE SD EX See Note

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Authorizes the assistant secretary of the office of conservation of the Louisiana Department of Natural Resources to regulate pipeline utilities and facilities.

Proposed law provides that, notwithstanding the provisions of present law (R.S. 40:1749.23), the assistant secretary shall have exclusive authority to enforce the provisions of proposed law regulating pipelines. Proposed law provides powers for assistant secretary to include but are not limited to the following regarding pipelines: (1) Monitoring any excavation or demolition (2) Issuing citations or ordering other penalties or remedies. (3) Seeking restraining orders, injunctions, or any other available civil remedies. (4) Utilizing any other enforcement powers that may be provided by law. Proposed law requires the assistant secretary to develop a procedure for investigating and reporting any reasonable complaint regarding a violation of proposed law. Proposed law requires the assistant secretary to adjudicate all violations involving pipelines and assess civil penalties or other civil remedies for violations of proposed law. Proposed law provides retains present law civil penalties assessments and includes the following (1) The nature, circumstances, and gravity of the relevant violation (2) The degree of culpability, history of prior violations, the effect on ability to continue to do business, any good faith in attempting to achieve compliance, ability to pay the penalty, and such other matters as justice requires with respect to the person found to have committed the violation. Proposed law requires all monies received or collected by the assistant secretary pursuant to enforcement of proposed law to be deposited immediately upon receipt in the state treasury and shall be credited to the Oil and Gas Regulatory Fund as created by present law (R.S. 30:21).

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

EXPENDITURE EXPLANATION

The proposed law is anticipated to increase the Department of Natural Resources (DNR) expenditures out of federal funds and statutory dedications by \$155,800 in FY 18 and \$148,800 in subsequent years. This legislation will authorize the Assistant Secretary of the Office of Conservation to regulate the pipeline utilities and facilities. To implement these additional regulatory responsibilities and to assist with the additional workload, the Office of Conservation will hire an Assistant Director for the Pipelines program. The estimated salary and benefits for this new position is \$140,000 and will be funded with two federal grants (One Call Grant and State Damage Prevention Grant) from the US Department of Transportation Office of Pipeline Safety. While the total available federal grant funding is anticipated to cover the cost of this new position, the Department of Natural Resources (DNR) will incur upfront maintenance of effort costs before receiving the federal funding. The agency anticipates it will use statutory dedications out of the Oil and Gas Regulatory Fund to initially fund the upfront costs and these statutory dedicated funds will be reimbursed when the federal funding is received.

A total of \$15,800 in expenditures will be paid from the fines/penalties for violations from the investigations conducted by the Assistant Secretary. DNR anticipates one-time startup costs of \$7,000 for computer, a workstation/PC terminal station, and other supplies. Other annual recurring costs of \$8,800 include travel (\$6,200), fuel (\$800), cell phone/data plan (\$900) and maintenance of the 1-800 complaint line (\$900) that is available to contractors, utility operators, and the public.

REVENUE EXPLANATION

The proposed law is anticipated to increase statutory dedications from monies collected through enforcement of this legislation including fines and civil penalties. All civil penalty fines collected will be deposited into the Oil and Gas Regulatory Fund. Based on historical fine experience and average fine amounts, the Department of Natural Resources anticipates the annual revenue collected could be approximately \$50,000 assuming 200 fines at \$250 per fine.

In addition, DNR has stated it will receive federal grants from the US Department of Transportation Office of Pipeline Safety. This includes the One Call Grant (max amount \$60,000) and State Damage Prevention Grant (max amount \$100,000). According to DNR, both of these grants have been approved by the Federal Sponsor.

The One Call Grant Program is designed to provide funding to state agencies in promoting damage prevention, including changes to their state underground damage prevention laws, related compliance activities, training and public education. This grant program is for states that have a certification or agreement with the US Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA) to do pipeline safety inspections. The State Damage Prevention Grant is used to establish comprehensive state programs designed to prevent damage to underground pipelines in states that do not have such programs and to improve damage prevention programs in the states that do have comprehensive programs.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux

Evan Brasseaux
Staff Director