

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2015-16		FY 2016-17	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	6,502,867	2,867	2,948	2,948
FEDERAL FUNDS	8,602	8,602	8,843	8,843
OTHER FUNDS				4,561
TOTAL FUNDS	6,511,469	11,469	11,791	16,352

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 512 provides the Oil and Gas Conservation Commission with the authority to monitor and regulate the disposal of wastewater generated from oil and gas well production, including wastewater generated from oil and gas well production in other states that is injected into commercial salt water injection wells in Nebraska.

Section 4 imposes an oil and gas regulatory cost recovery and road expense assessment on commercial wells used for the purpose of disposing wastewater produced in the process of out-of-state oil and gas extraction. The assessment is set at twenty cents (\$0.20) per barrel of wastewater disposed in Nebraska.

Section 5 creates the Oil and Gas Regulatory Cost Recovery Cash Fund. The fund shall be credited with the assessments collected in section 4 and be used to monitor and regulate oil and gas wastewater disposal in this state.

The Oil and Gas Conservation Commission estimates Cash Fund revenue and expenditures which will off-set each other. In addition, the Commission estimates Federal Funds availability to address the bill's provisions.

The Department of Roads states that a proposed route for hauling waste water to a salt water disposal well is Highway 29. The current highway is not able to handle the increased traffic that is likely to result from the bill's provisions. In order to strengthen the highway, an estimated cost of \$6.5 million is anticipated. There is no basis to disagree with this estimate.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 512	AM:	AGENCY/POLT. SUB: Nebraska Oil & Gas Commission	
REVIEWED BY: Cindy Miserez		DATE: 02/02/2015	PHONE: 402-471-4174
COMMENTS: The fiscal impact of LB512 calculated by the Nebraska Oil & Gas Commission appears reasonable. The source of the federal fund and other revenue is not identified.			

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 512	AM:	AGENCY/POLT. SUB: Nebraska Department of Roads	
REVIEWED BY: Cindy Miserez		DATE: 02/25/2015	PHONE: 402-471-4174
COMMENTS: I have no basis to disagree with the Nebraska Department of Roads' statement of fiscal impact for LB512.			

Please complete ALL (5) blanks in the first three lines.

2015

LB⁽¹⁾ 512

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Nebraska Oil and Gas Conservation Commission

Prepared by: ⁽³⁾ William H. Sydow

Date Prepared: ⁽⁴⁾ 1 February 2015

Phone: ⁽⁵⁾ (308) 254-6919

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2015-16</u>		<u>FY 2016-17</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
CASH FUNDS	<u>\$2,867</u>	<u>\$2,867</u>	<u>\$2,948</u>	<u>\$2,948</u>
FEDERAL FUNDS	<u>\$8,602</u>	<u>\$8,602</u>	<u>\$8,843</u>	<u>\$8,843</u>
OTHER FUNDS	<u>0</u>	<u>0</u>	<u>0</u>	<u>\$4,561</u>
TOTAL FUNDS	<u>\$11,469</u>	<u>\$11,469</u>	<u>\$11,791</u>	<u>\$16,352</u>

Explanation of Estimate:

The administration and verification of this new tax will require additional specific work and supervision and costs will have to be borne by the appropriation currently under consideration. No revenue can be appropriated from the proposed tax and spent at this time. The time of the Administrative Assistant, Field Inspectors, and Deputy Director will be required at the FTE's shown below using average hourly wages. The operating expense includes one round trip to the four commercial wells currently in existence to verify monthly injection volumes and obtain/review delivery tickets using 57.5¢ per mile and 530 miles per month. Administrative time will be required to calculate total numbers of barrels of produced water from non-Nebraska sources for verification by the Department of Revenue.

The proposed new tax will require the promulgation of new rules which could require one year for hearings and approvals. No revenue will be collected until the second fiscal year, FY2017. At present, our agency regulates four commercial salt water disposal wells. We estimate that only one of these existing wells will accept produced water from out-of-state. The foreign water volume is estimated to be 53,665 BBL/YR based upon estimated 2014 volumes.

The Oil and Gas Regulatory Cost Recovery Cash Fund is created by the bill. At the 8.5¢/BBL net tax rate to our agency, \$4,561 will be generated during the second year. No funds could be spent since no appropriation will have been approved during this current legislative session and our agency will have to bear the cost of operations without offsetting revenue.

One additional well is expected to be approved during FY2015. However, we have no firm estimates or history to apply for a revenue estimate. If the proposed salt water disposal well were to accept 1,200 BBL/D of foreign water, the incremental volume could generate an additional \$37,230 per year net to the Oil and Gas Regulatory Cost Recovery Cash Fund. This is not included in this estimate since regional oil and gas activity is expected to severely decline.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2015-16</u>	<u>2016-17</u>
	<u>15-16</u>	<u>16-17</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
<u>Administrative Assistant</u>	<u>0.05</u>	<u>0.05</u>	<u>\$1,600</u>	<u>\$1,640</u>
<u>Deputy Director and Field Inspector</u>	<u>0.07</u>	<u>0.07</u>	<u>\$4,600</u>	<u>\$4,700</u>
<u>Benefits.....</u>			<u>\$1,612</u>	<u>\$1,648</u>
<u>Operating.....</u>			<u>\$3,657</u>	<u>\$3,803</u>
<u>Travel.....</u>				
<u>Capital outlay.....</u>				

Aid.....
Capital improvements.....
TOTAL.....

\$11,469

\$11,791

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2015

LB⁽¹⁾ 512

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Nebraska Dept of Roads

Prepared by: ⁽³⁾ Becky Fleming

Date Prepared: ⁽⁴⁾ 2/23/15

Phone: ⁽⁵⁾ (402) 479 4692

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2015-16</u>		<u>FY 2016-17</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	\$6,500,000	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>\$6,500,000</u>	_____	_____	_____

Explanation of Estimate:

LB 512 creates the Oil and gas Regulatory Cost Recovery Cash Fund; provides powers and duties regarding the monitoring and regulation of the disposal in NE of out-of-state produces wastewater to the commission; to charge an assessment; and provide funds for road damage and new road infrastructure.

If this bill were to pass, a proposed route for hauling waste water to a salt water disposal well is Hwy 29. In evaluating the proposed route, this highway is designed and maintained to handle fifteen to thirty-five trucks per day. The proposed hauling of waste would add 80 trucks per day increasing the truck traffic two and five times the current amount. This increase will drastically reduce the life of the pavement. Department of Roads is estimating a cost of \$6.5 million, would be needed to strengthen the highway to handle the proposed increase in trucks. This is an immediate need to be accomplished before these movements.

The Department sees a technical issue with this bill. Section 5 on page 8, states “the purpose of the fund is to recover the costs of monitoring and regulating oil and gas wastewater disposal”. This does not include what is stated in section 4 page 8 “assessment is to offset the costs of damage to roads”.

The fiscal impact to the Department would be the cost of strengthen the highway. The bills technically issue makes it unclear if the Department will be reimbursed and if reimbursed when these funds be available.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2015-16 EXPENDITURES</u>	<u>2016-17 EXPENDITURES</u>
	<u>15-16</u>	<u>16-17</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	\$6,500,000	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	<u>\$6,500,000</u>	_____