

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2013-14		FY 2014-15	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	600,000		109,000	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	600,000		109,000	

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

LB 635, Section 3, requires new and existing wells which will be stimulated by hydraulic fracturing to demonstrate suitable and safe mechanical configuration for the stimulation treatment proposed. Within sixty days after the hydraulic fracturing stimulation is performed, the operator shall post all the elements specified in the Commission’s rules and regulations, including the amount and source of water used in for the stimulation and the amount of fracturing fluid recovered. This posting shall be on a website designated by the Commission’s rules and regulations.

Currently, FracFocus (an existing national database) is used by the Commission for such reporting information. FracFocus is unable to accept some of the required information laid out in LB 635. For this reason, the Commission has estimated the costs to develop and maintain a new website that can accept, house and deliver this information to any user. The estimate is a cost of \$600,000 in fiscal year 2013-14 and \$109,000 in fiscal year 2014-15.

The Commission has identified these costs as being rightfully paid by the General Fund. This is because the “information for water volumes, water source, and fracture fluid recoveries will be of no benefit to the land owners, mineral owners, or working interest owners who pay taxes in support of the agency.”

Currently, the Commission’s entire agency budget is paid out of Cash Funds. The revenue source is found in section 57-919. According to that section:

(2) There is hereby levied and assessed on the value at the well of all oil and gas produced, saved, and sold or transported from the premises in Nebraska where produced a charge not to exceed fifteen mills on the dollar. The commission shall by order fix the amount of such charge in the first instance and may, from time to time, reduce or increase the amount thereof as in its judgment the expenses chargeable against the Oil and Gas Conservation Fund may require, except that the amounts fixed by the commission shall not exceed the limit prescribed in this section.

The current mill levy is well under the fifteen mills identified in 57-919. The fund is authorized for uses to support the Commission. Regardless of the Commission’s sentiment that the bill’s costs *should not* be paid from the fund, it appears that the costs *can* be paid from the fund.

There is no basis to disagree with the cost estimates identified by the Commission, but due to the statutory provisions already in place, it appears that the mill levy could be raised and the costs can be paid from Cash Funds.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 635	AM:	AGENCY/POLT. SUB: Nebraska Oil & Gas Commission	
REVIEWED BY: Cindy Miserez		DATE: 2/8/2013	PHONE: 402-471-4174
COMMENTS: Per Neb. Rev Statute 57-919 (2), the Nebraska Oil & Gas Commission is funded by a levy on the assessed value at the well of all oil and gas produced to pay the costs and expenses incurred in connection with the administration and enforcement of sections 57-901 to 57-921. LB635 amends sections 57-903, 57-905, 57-914 and 57-916.01. Therefore, General Fund appropriation is not needed to fund the agency for these new duties assigned by LB 635. Any fiscal impact should be shown as cash fund appropriation.			

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 635	AM:	AGENCY/POLT. SUB: Secretary of State	
REVIEWED BY: Cindy Miserez		DATE: 2/1/2013	PHONE: 402-471-4174
COMMENTS: I concur with the Secretary of State's statement of no fiscal impact to the Secretary of State's office.			

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

2013

LB⁽¹⁾ 635 FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Secretary of State

Prepared by: ⁽³⁾ Colleen Byelick Date Prepared: ⁽⁴⁾ 2/1/13 Phone: ⁽⁵⁾ 402-471-8076

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2013-14</u>		<u>FY 2014-15</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Return by date specified or 72 hours prior to public hearing, whichever is earlier.
 Explanation of Estimate:

This bill has no fiscal impact for the Secretary of State.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2013-14</u>	<u>2014-15</u>
	<u>13-14</u>	<u>14-15</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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

2013

LB⁽¹⁾ 635 FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Oil and Gas Conservation Commission

Prepared by: ⁽³⁾ William H. Sydow Date Prepared: ⁽⁴⁾ 4 February 2013 Phone: ⁽⁵⁾ (308) 254-6919

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2013-14</u>		<u>FY 2014-15</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>\$600,000</u>	<u>0</u>	<u>\$109,000</u>	<u>0</u>
CASH FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FEDERAL FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
OTHER FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUNDS	<u>\$600,000</u>	<u>0</u>	<u>\$109,000</u>	<u>0</u>

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

We believe that LB 635 would require an investment of \$709,000 from General Funds to accomplish the mandated reporting requirements. No revenues would be generated since data are only collected and displayed. The Oil and Gas Conservation Commission, in its proposed rulemaking initiated on March 8, 2012, would require certain information to be reported to FracFocus, an *existing* national database for reporting various compounds used in any hydraulic fracture stimulation. LB 635 *negates* the use of FracFocus by requiring additional data; therefore, a new website would have to be developed by Nebraska. The Oil and Gas Conservation Commission, which is cash funded, has neither the funds nor the appropriation to accomplish this mandate. We believe that all expenses related to this new project should be borne by the General Fund since the required information for water volumes, water source, and fracture fluid recoveries will be of no benefit to the land owners, mineral owners, or working interest owners who pay taxes in support of the agency. Since 1959, basic data for the types and volumes of fracture fluids and proppants have been collected and reported on the Commission’s Form 5, Well Completion or Re-completion Report, providing much necessary petroleum engineering and geological information, and are currently available to the public on the Commission’s existing website.

Section 3 (3) of LB 635 requires operators to post information for hydraulic fracture stimulations “including the amount and source of water used for the stimulation and the amount of fracturing fluid recovered. Further, the posting shall be on a web site designated by the commission’s rules and regulations.”

During 2012, through the efforts of a workgroup and two subsequent public hearings, the Commission developed language for the disclosure and reporting of the makeup of hydraulic stimulation fluids that would require the operators to report certain information to a nationally recognized website known as FracFocus. However, LB 635 requires additional information to be reported which *cannot be accepted by FracFocus* and thus requires a significant investment by the State of Nebraska to develop a website that can accept, house, and deliver this information to any user.

We have sought an estimated cost to develop and implement such a mandated website from a firm who was intimately involved in the design and development of the FracFocus website. Their estimate was as follows:

1. Development of and implementation of a website to accept, house and deliver:
 - a) Hydraulic Fracturing Chemical Registry Data,
 - b) Volumes and Sources of water used in hydraulic fracturing, and
 - c) Volume of Fluids Recovered from Hydraulic Fracturing Operations. **\$450,000**
2. Development of process to bi-directionally deliver to, and accept data from, the FracFocus national Chemical Hydraulic Fracturing Chemical Registry Database. **\$150,000**

The cost of hardware, software and infrastructure purchases associated with the website was as follows:

1. Enterprise Web Server – Hardware.	\$20,000
2. Backup Device – Hardware	\$12,000
3. Redundant Enterprise Storage	\$20,000
4. Firewall – Hardware	\$ 5,000
5. Routers – Hardware	\$ 5,000
6. VPN – Hardware	\$ 2,500
7. Battery Backup – Hardware	\$ 5,000
8. Backup Media – Tapes	\$ 1,000
9. Backup Software – Software	\$ 2,000
10. MS Server Standard OS – Software	\$ 1,500
11. MS SQL Server – Software	\$35,000
Development Sub-total	\$600,000
<u>Hardware, Software Sub-total</u>	<u>\$109,000</u>
Grand Total	\$709,000

We would propose to initiate the development phase during FY14 and then acquire the necessary hardware and software during FY15 utilizing appropriated General Funds. We believe that no incremental FTE's would be required within our agency. We make no forecast of expenses to maintain and operate the website which has no ending date.

Additionally, no costs are estimated for the future replacement of hardware on a 3-year life span or potential upgrades to software in the future.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2013-14	2014-15
	13-14	14-15	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				