

FISCAL NOTE

May 21, 2021

Bill No:	HB 1144	Printer's No:	1199	Sponsor:	Causer
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COST / (SAVINGS)

Fund (s)	2020-21	2021-22
General Fund	See Fiscal Impact	See Fiscal Impact
Abandoned Well Plugging Fund	See Fiscal Impact	See Fiscal Impact
Orphan Well Plugging Fund	See Fiscal Impact	See Fiscal Impact

SUMMARY: HB 1144 establishes guidelines for the conventional oil industry in Pennsylvania.

ANALYSIS: HB 1144 establishes guidelines for the conventional oil industry in Pennsylvania, moving regulation of these operators out of Act 13 of 2013. HB 1144 establishes comprehensive guidelines for conventional oil well operators, including permitting, drilling, surveying, identifying abandoned wells, obtaining inactive status for wells, erosion, water restoration and contamination, and casing and plugging requirements.

The bill also imposes various mandates on the Department of Environmental Protection (DEP). HB 1144 establishes procedures for enforcement of the conventional oil regulations by DEP, including license revocation and civil and criminal penalties. Revenue from these fines will accrue in the Abandoned Well Plugging Fund. It also establishes a \$50 surcharge on the permit fee for conventional drillers to accrue to this fund. Revenue from a \$100 surcharge on permits for conventional oil drilling and a \$200 surcharge on permits for conventional gas drilling will accrue in the Orphan Well Plugging Fund.

HB 1144 takes effect immediately.

FISCAL IMPACT: The Oil and Gas program is currently funded almost entirely by permit fees, and since the unconventional and conventional industry are both regulated under the same act, those costs are shared across the two industries. Without an appropriation, and by creating a separate act to regulate the conventional industry, the much higher unconventional fees would no longer be able to be used to effectively subsidize oversight of the smaller conventional industry, and so their permit fees would have to increase substantially.

According to DEP's 2020 Unconventional Well Permit Application Fee Increase Rulemaking, the Oil and Gas Program's budget to implement the current law for both conventional and unconventional operations at the program's currently reduced staffing is approximately \$25 million per year. In that fee package, DEP considered that the conventional industry accounts for approximately 40 percent of the costs to administer the program, or roughly \$10 million annually.

HB 1144 removes DEP's authority for its current fee authority and structure. What HB 1144 does is authorize DEP to impose well permit fees for conventional well permit applications that relate

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to that cost of implementing the program. In the 2020 fee package, DEP explained that the 3-year conventional well permit average was \$365. DEP projected that they received about 240 conventional applications per year (although now it is much less). Assuming that conventional well permit application rates return back up to approximately 240 per year, absent any appropriation, for the conventional well permit fee to account for the conventional industry costs would require setting the application fee at nearly \$42,000 – an increase of more than 11,400 percent.

In order to maintain permit application fees where they are now, the General Assembly would need to appropriate at least \$9,912,400 annually to the program, though in all likelihood, it would need to be the full \$10 million.