Attachment A

<u>Scenario 1</u>: Program Maintenance
The total annual revenue needed to maintain the Department's Oil and Gas Program at a reduced complement level of 190 employees at current operating costs is $24,659,000. The amount of annual revenue generated from the current permit fee is not sufficient to maintain the current program (i.e., $16,077,000). If the permit fee is not increased, the Department's Oil and Gas Program will be insolvent by the fourth quarter of FY2019/20.

At the projected permit volumes, the fee increase in this final-form rulemaking will generate enough revenue to maintain the Department's Oil and Gas Program at this reduced complement threshold and provide a funding buffer, if needed, or provide for additional staff and program enhancements (i.e., $31,077,000).

ACTUAL EXPENSES (Reduced Complement)

Expense	Cost (in dollars)
Staff (190 positions)	20,140,000
Operating Expenses (FY2018-19)	4,519,000
TOTAL Cost	**24,659,000**

ACTUAL REVENUE – WITHOUT FEE INCREASE
$5K PERMIT FEE + CONVENTIONAL PERMIT FEE + IMPACT FEE

Expense	Cost (in dollars)
Unconventional Permit Fees (2,000 permits x $5,000)	$10,000,000
Conventional Permit Fees (FY2018-19)	77,000
Impact Fee	6,000,000
TOTAL Revenue	**16,077,000**

PROJECTED REVENUE – WITH FEE INCREASE
$12.5 PERMIT FEE + CONVENTIONAL PERMIT FEE + IMPACT FEE

Expense	Cost (in dollars)
Unconventional Permit Fees (2,000 permits x $12,500)	$25,000,000
Conventional Permit Fees (FY2018-19)	77,000
Impact Fee	6,000,000
TOTAL Revenue	**31,077,000**

Attachment A

<u>Scenario 2</u>: Full Staff and Program Enhancements
The total revenue needed to add needed staff to adequately and effectively administer the Program complement (i.e., 49 additional employees) and add necessary staff and IT costs is $31,153,000. At the projected permit volumes, the fee increase in this final-form rulemaking would generate $31,077,000. Significantly, there is reasonable uncertainty in projecting permit volumes. In Fiscal Year 2017-2018, the Department received 1,674 unconventional well permit applications. And in Fiscal Year 2018-2019, the Department received 1,684 unconventional well permit applications. For the first half of Fiscal Year 2019-2020, the Department is on track to receive fewer than 1,600 unconventional well permit applications. At present permit volumes, the proposed permit fee increase would only generate $26,077,000, which falls short by more than $5,000,000. At current permit volumes, the projected fee increase will <u>not</u> provide sufficient annual revenue to add needed staff and fund IT costs.

EXPENSES FOR FULL STAFF AND IT COSTS

Expense	Cost (in dollars)
Personnel (190 positions)	20,140,000
Personnel (49 additional positions)	5,194,000
Operating Expenses/Fixed Assets (FY2018-19)	4,519,000
IT Costs	1,300,000
TOTAL Cost	**31,153,000**

PROJECTED REVENUE – WITH FEE INCREASE (1,600 permits)
$12.5 PERMIT FEE + CONVENTIONAL PERMIT FEE + IMPACT FEE

Expense	Cost (in dollars)
Unconventional Permit Fees (1,600 permits x $12,500)	$20,000,000
Conventional Permit Fees (FY2018-19)	77,000
Impact Fee	6,000,000
TOTAL Revenue	**26,077,000**

PROJECTED REVENUE – WITH FEE INCREASE (2,000 permits)
$12.5 PERMIT FEE + CONVENTIONAL PERMIT FEE + IMPACT FEE

Expense	Cost (in dollars)
Unconventional Permit Fees (2,000 permits x $12,500)	25,000,000
Conventional Permit Fees (FY2018-19)	77,000
Impact Fee	6,000,000
TOTAL Revenue	**31,077,000**