



pennsylvania
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Oil and Gas Management



Office of Oil and Gas Management Fee and Program Cost Analysis Report

Environmental Quality Board
February 15, 2022

Tom Wolf, Governor

Patrick McDonnell, Secretary

Statutory & Regulatory Requirements

- **58 Pa.C.S. § 3211(d):** This section provides that “each application for a well permit shall be accompanied by a permit fee, established by the Environmental Quality Board, which bears a reasonable relationship to the cost of administering this chapter.”
- **25 Pa. Code §§ 78.19(e) 78a.19(b):** At least every 3 years, the Department will provide the EQB with an evaluation of the fees in this chapter and recommend regulatory changes to the EQB to address any disparity between the program income generated by the fees and the Department’s cost of administering the program with the objective of ensuring fees meet all program costs and programs are self-sustaining.

Oil and Gas Program Funding

- Well Permit Fees
- 2012 Oil and Gas Act Impact Fees
- Civil Penalty Assessments/Bond Forfeiture
- No General Fund Moneys

Revenue vs. Expenses

ATTACHMENT A

COMPARATIVE FINANCIAL STATEMENT WELL PLUGGING RESTRICTED REVENUE ACCOUNT

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22 Projection	FY 2022-23 Projection
BEGINNING BALANCE:	11,118,108	14,005,857	10,265,076	7,321,123	10,981,466	10,458,888	28,654,127	21,971,727	7,035,252
Revenue:									
Permit Fees	13,504,728	7,910,959	9,703,101	8,995,548	8,523,114	5,815,163	8,574,882	9,000,000	9,000,000
Fines and Penalties	4,403,553	4,076,710	9,590,432	3,608,492	6,296,868	28,327,593	2,573,242	-	-
Act 13 Impact Fees	6,000,000	6,000,000	-	12,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Other Revenue	66,415	(101,327)	(168,185)	(384,700)	(83,910)	(178,373)	(1,194,586)	(104,439)	(100,000)
Total Revenue:	23,974,696	17,886,341	19,125,347	24,219,341	20,736,072	39,964,382	15,953,538	14,895,561	14,900,000
Total Funds Available:	35,092,803	31,892,199	29,390,423	31,540,464	31,717,538	50,423,270	44,607,665	36,867,288	21,935,252
Expenditures:									
Personnel	(17,984,651)	(19,450,600)	(19,777,394)	(18,137,164)	(18,305,045)	(18,011,754)	(18,981,826)	(20,053,288)	(20,602,014)
Operating	(1,809,728)	(1,457,284)	(1,392,751)	(1,588,022)	(1,671,731)	(2,842,280)	(2,613,926)	(4,642,767)	(4,024,026)
Fixed Assets	(646,356)	(73,888)	(104,606)	(133,486)	(500,671)	(174,147)	(288,434)	(738,500)	(586,000)
Transfers and Other	(646,210)	(645,351)	(794,550)	(700,325)	(781,204)	(740,962)	(751,752)	(1,858,094)	(1,435,000)
Commitments Carried Forward								(2,539,387)	
Total Expenditures:	(21,086,946)	(21,627,122)	(22,069,301)	(20,558,997)	(21,258,651)	(21,769,143)	(22,635,938)	(29,832,036)	(26,647,040)
ENDING BALANCE:	14,005,857	10,265,076	7,321,123	10,981,466	10,458,888	28,654,127	21,971,727	7,035,252	(4,711,788)

Note: The Act 13 Impact Fee payment for FY2016-17 was received after the end of the fiscal year, and therefore is not shown until FY2017-18. Commitments carried forward in FY2021-22 reflect unpaid expenses from prior year FY2020-21.

Program Complement

- 190 positions currently
 - Full complement of 226 but over time have reduced staff by 36 positions due to declining permit application fee revenues
- Personnel expenses account for 84% of total operating costs

Increased Workload & Policy Initiatives

- Larger Inventory of Wells = More Inspections
- Emergency Response & Complaint Mgmt.
- Increased Well Plugging Activities
- Regulatory & Technical Guidance Development
- Updated Forms
- Improved Data Management Systems

2020 Unconventional Well Permit Fee Rulemaking

- Cost of approximately \$25 million to fund the Program at its reduced complement of 190 employees
- Assumed DEP would receive 2,000 unconventional well permit applications per year
- Final-form rulemaking established unconventional well permit application fee of \$12,500
- No change to conventional well permit application fee
- New fee amount took effect on August 1, 2020

Unconventional Well Permit Fee Analysis

- Over past 3 fiscal years, DEP received on average only 1,210 unconventional well permits per year
 - 2020 final-form rulemaking projected 2,000 permits per year
- With the current unconventional well permit fee at \$12,500, the Program has received approximately \$8.5 million in FY2020-21
 - 2020 final-form rulemaking anticipated Program receiving \$25 million in FY2020-21 to sustain reduced complement of 190 staff

▶ Conventional Well Permit Fee Analysis

- Over past 3 fiscal years, DEP received on average 186 conventional well permits per year
- The average conventional well permit application fee was approximately \$289
- Only \$46,100 collected in FY2020-21 (0.2% of total operating budget)
- At 40% of cost to administer program, proportional cost of conventional permit fee would be \$53,763 for EACH conventional permit
- No conventional permit fee increase is recommended

Well Permit Fee Analysis

- FY2020-21 Revenues*:

\$8.5 million Unconventional Permit Fees

+ \$6.0 million Impact Fee

+ \$46,100 Conventional Permit Fees

\$14.5 million Total fees received

- \$25 million to sustain reduced complement of 190 staff - \$14.5 million = **\$10.5 million**

DEFICIT

*Fines & Penalties not included in analysis.

Summary

- Current fees are inadequate to cover the operation of the Oil and Gas Program
- Finance & Budget Update presented to the Oil and Gas Technical Advisory Board on May 5, 2021

Recommendation

The Department recommends proposing a future rulemaking to develop alternate funding options to adequately and sustainably fund the Oil and Gas program.



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