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FISCAL IMPACT STATEMENT

LS 6053

BILL NUMBER: HB 1209

NOTE PREPARED: Dec 27, 2012

BILL AMENDED:

SUBJECT: Environmental Review of Hydraulic Fracturing.

FIRST AUTHOR: Rep. Pierce

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill requires an owner or operator of a well for oil and gas purposes to submit an environmental compliance plan (plan) to the Department of Natural Resources (DNR) for review and approval of the plan before performing hydraulic fracturing. The bill requires that the plan contain certain information, including the chemical constituents to be used in the hydraulic fracturing, a description of the geology of the area where the well is located, and a pollution risk analysis. It also provides that proprietary or trade secret information need not be disclosed in the plan, but that the DNR may require disclosure of the proprietary or trade secret information in case of a medical emergency.

The bill requires the DNR to publish approved plans on its web site. The bill also requires the DNR to prescribe processes for approving plans and for the disclosure of proprietary information in a medical emergency.

Effective Date: July 1, 2013.

Explanation of State Expenditures: *Environmental Compliance Plan Review:* The total amount of staff time involved with the review and processing of the hydraulic fracturing plans could vary from 3.75 hours to 5 working days per application. The anticipated number of plans reviewed on an annual basis is expected to vary between 30 and 60 wells per year. The DNR Division of Oil & Gas reports that while the anticipated increase in workload might not require a staffing increase, the significant increase in the workload could increase the permit processing times.

Rules: The Natural Resources Commission (NRC) is required to regulate hydraulic fracturing. The NRC

should be able to adopt rules given its existing level of funding.

Background: The Division of Oil & Gas does not receive funding from the state General Fund, but is funded by a dedicated fund and federal funds. The dedicated fund (the Oil & Gas Fund) receives 70% to 80% of its revenue from the Petroleum Severance Tax. Other sources of revenue for the fund include permit fees assessed when applying for a permit to drill for oil and/or gas. The Division operates on a budget of approximately \$1.3 M.

Explanation of State Revenues: No additional permit revenue is expected because the wells have already received a Class II permit.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DNR, Natural Resources Commission.

Local Agencies Affected:

Information Sources: DNR.

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