

**OIL AND GAS PROGRAM
THREE-YEAR REGULATORY FEE AND PROGRAM COST ANALYSIS REPORT
TO THE ENVIRONMENTAL QUALITY BOARD**

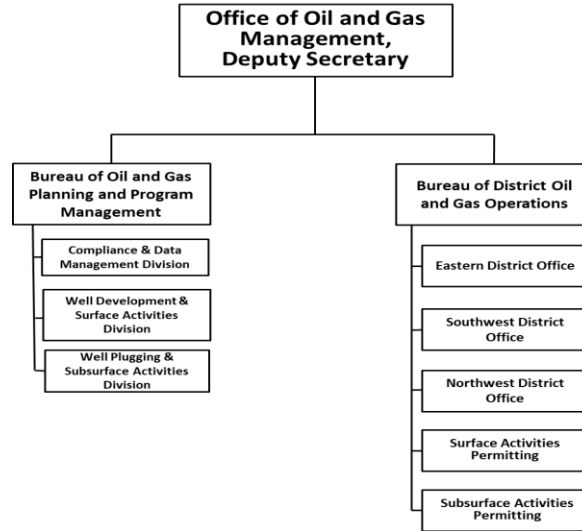
Pursuant to 25 Pa. Code §§ 78.19(e) (conventional oil and gas wells) and 78a.19(b) (unconventional gas wells), at least every three years the Department of Environmental Protection (DEP) provides the Environmental Quality Board (EQB) with an evaluation of well permit application fees received. DEP last submitted a “3-Year Regulatory Fee and Program Cost Analysis Report” to the EQB at its April 17, 2018 meeting (2018 Fee Report). In accordance with regulatory requirements, DEP has conducted a comprehensive review of its resource needs to administer the applicable law implemented and enforced by DEP’s Office of Oil and Gas Management (Oil and Gas Program or Program) along with projected revenues. This “3-Year Regulatory Fee and Program Cost Analysis Report” summarizes that review and analysis. In short, the current well permit application fees submitted to DEP do not generate sufficient revenue to cover the costs of administering the Oil and Gas Program despite its reduced staff complement and the implementation of cost-saving measures.

The well permit application fee is a one-time payment submitted with each well permit application. These fees do not provide ongoing revenue for the program. For that reason, the fees received in a given year must fund all future Oil and Gas program’s costs for functions beyond permitting, including, but not limited to, the Oil and Gas Program’s obligations to conduct ongoing inspections of well sites; permitting and inspecting support facilities; permitting and inspecting gathering pipelines; authorizing and inspecting water withdrawals, oversight of plugging activities; complaint investigations and stray gas investigations.

Once received, well permit application fees are placed in the Well Plugging Fund as a dedicated revenue source for the Oil and Gas Program. In addition to the one-time fee that DEP receives with each well permit application, the Program is funded by the following other sources of revenue: (1) an appropriation from the Act 13 Impact Fees; and (2) incidental civil penalties collected for violations of the 2012 Oil and Gas Act. No General Fund revenue is used to support the Program.

The Office of Oil and Gas Management: Organizational Structure

The Oil and Gas Program is responsible for overseeing the environmentally responsible development of Pennsylvania’s oil and gas resources. The office consists of two bureaus. The organization chart for the Office of Oil and Gas Management is depicted below.



The Bureau of Oil and Gas Planning and Program Management is located in DEP’s central office (Harrisburg) and is responsible for administrative, policy and regulatory development functions. The Bureau of District Oil and Gas Operations consists of three district oil and gas offices located in the oil and gas producing regions of the state and is responsible for permitting, inspection, compliance and enforcement functions.

The Bureau of Oil and Gas Planning and Program Management includes the following three divisions:

Well Development and Surface Activities – This division is responsible for developing policies and guidance related to surface activities associated with well site and gathering pipeline design, construction, and operation. This includes waste management and engineered components such as erosion and sediment control structures, post construction stormwater management features, spill and release reporting and remediation, and stream and wetland crossings and encroachments.

Well Plugging and Sub-Surface Activities – This division consists of the Subsurface Activities Section and the Well Plugging Section. The Subsurface Activities Section is responsible for the management of subsurface oil and gas activities and offers expertise in drilling, casing, cementing, completion, workover, and production activities and operations. The Well Plugging Section maintains and implements DEP’s Orphan and Abandoned Well Plugging Program.

Compliance and Data Management – This division works closely with DEP's Bureau of Information Technology to oversee the development, operation and maintenance of data management systems that track reports, notifications, records, applications and other information or documents that are submitted to DEP by the regulated community. This division is also responsible for assisting in the development of statewide data management tools such as electronic well permitting and mobile site inspection as well as statewide enforcement efforts related to electronic data submissions.

The Bureau of District Oil and Gas Operations includes three district offices primarily headquartered in three regional office locations (Pittsburgh, Meadville and Williamsport) in the oil and gas producing regions of this commonwealth and two permitting divisions. Staff in the district offices are responsible for permitting, inspections, compliance and enforcement functions.

Permitting – Permitting staff administer the statewide surface and subsurface permitting program. Staff review the various different types of permits and authorizations related to oil and gas activities, including but not limited to Erosion and Sediment Control Permits, Erosion and Sediment Control General Permit, Well Drilling Permits and Water Obstruction and Encroachment Permits. Permitting staff are organized into two programs -- a Surface Permitting Program and a Subsurface Permitting Program. Both permitting programs report to a central manager. Technical permit reviewers are located in each of the district offices, but this streamlined management structure has promoted improved communication and work-sharing, that results in greater consistency and efficiencies in the oil and gas permit review process.

Inspections – Inspections staff perform the majority of the Oil and Gas Program’s field inspection and investigatory work. Inspector positions include water quality specialists, oil and gas inspectors, environmental protection specialists and field geologists. These inspectors are also responsible for responding to citizen complaints regarding oil and gas activities throughout the commonwealth.

Compliance – Compliance specialists perform a variety of important job duties, including handling management of enforcement and compliance cases, development and execution of compliance documents, and document gathering of responsive information for the many requests from the public for records.

The full range of responsibilities and achievements of the Office of Oil and Gas Management can be reviewed in its [2020 Oil and Gas Annual Report](#).

Program Funding History

The Oil and Gas Act, originally enacted in 1984, established a \$100 fee for oil and gas well permit applications. This fee remained in place for 25 years. In 2009 and 2014, EQB increased well permit application fees to fund the Oil and Gas Program’s increasing expenses and to establish a fee structure that set different amounts for the different types of wells, including unconventional wells, conventional wells and home use wells. EQB established fees to fund the Oil and Gas Program’s costs for these different types of wells based on several factors, including annual well permit application projections, total well bore length, the costs to develop the different well types and ability to pay.

In 2014, the EQB eliminated a sliding scale fee schedule for unconventional wells based on total well bore length and established a flat fee of \$5,000 for nonvertical unconventional wells and \$4,200 for vertical unconventional wells. The Board projected that those increased fees would be adequate to support the Program with a full complement of 226 staff provided the Program receives 2,600 unconventional well permits annually. However, while that projection was

accurate during the pendency of that rulemaking, the number of unconventional well permit applications received after that fee increase was lower than anticipated. In Fiscal Year (FY) 2014-2015, the Program received 2,533 unconventional well permit applications. In FY 2015-2016, the Program received 1,646 unconventional well permit applications. And in, FY 2016-2017, the Program received 1,993 unconventional well permit applications. As a result, the well permit application fees did not generate the revenue needed to fund Program costs.

Declining Well Permit Revenues

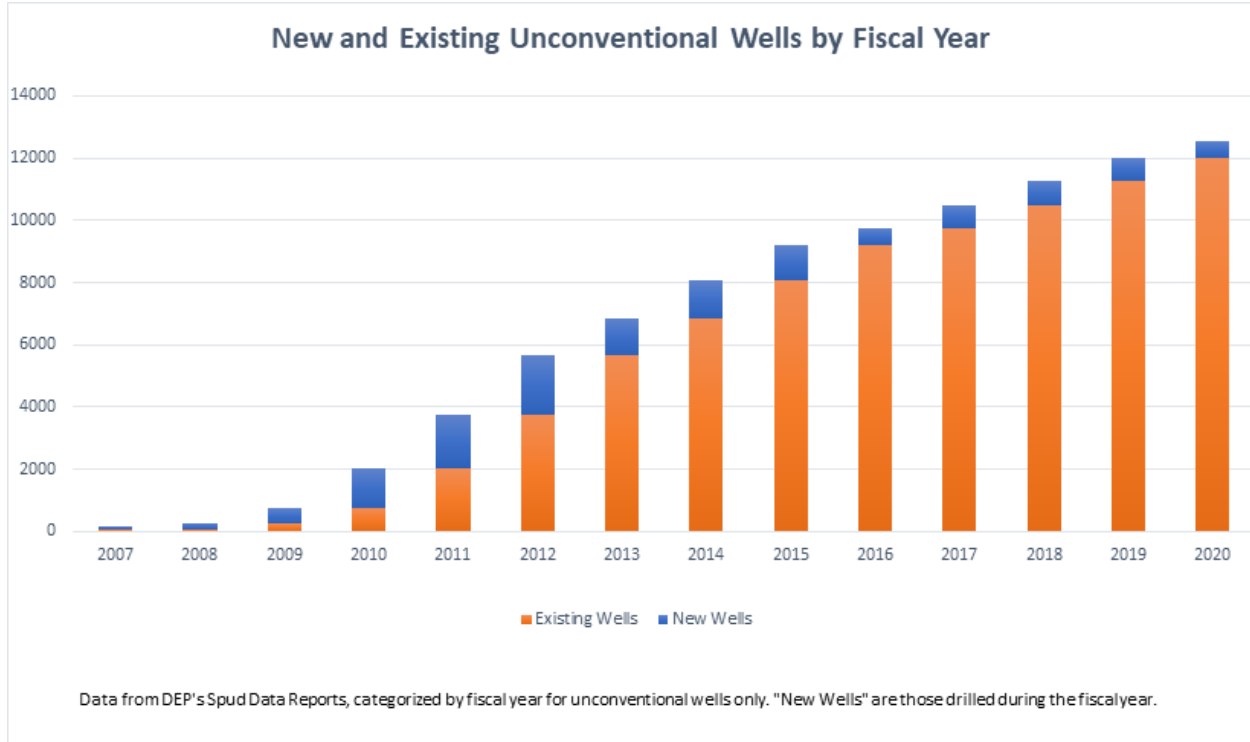
As discussed above, the well permit application projections that formed the basis for the 2014 fee increase proved to be inaccurate. As a result of declining unconventional well permit application fee revenues, the Program reduced staff over time from 226 employees to 190 employees.

Increasing Workload

Despite declining well permit application revenues, DEP's workload has increased. Each year more wells are drilled than plugged resulting in a growing inventory of wells to be inspected to ensure compliance with the applicable law. New wells are accompanied by infrastructure such as support facilities, water withdrawals, well development impoundments, access roads, and gathering pipelines, further increasing DEP's oversight and inspection obligations. Equally important are the Program's responsibilities related to gas storage as well as orphaned and abandoned wells. Finally, the Program must ensure that it responds to complaints, emergencies and requests for public records related to the implementation of the 2012 Oil and Gas Act. All of these activities are essential program functions beyond well permit application reviews that are necessary to administer the 2012 Oil and Gas Act and are paid for by the one-time well permit application fees.

As shown in **Figure 1**, the universe of active unconventional gas wells has been steadily increasing since 2007 to the present time. Since the unconventional natural gas industry began ramping up in 2007, the number of unconventional gas wells has increased from less than 100 to more than 13,000 unconventional gas wells. Given that the estimated lifespan of an unconventional gas well can exceed 20 years, the number of active gas wells is projected to continue to increase over the next 10 to 15 years before the total inventory of active gas wells begins to stabilize.

Figure 1: New and Existing Unconventional Wells by Fiscal Year



For every well drilled in Pennsylvania, DEP must commit resources to inspect and monitor the increasing universe of wells. As depicted in **Figure 2**, DEP has increased the total number of compliance inspections at conventional and unconventional well sites from 10,565 to 35,394 between calendar year 2007 to 2019; a 235 percent increase.

In response to the actions taken by DEP and all state agencies under the Governor's jurisdiction to reduce the spread of the novel coronavirus during 2020, adjustments were made to inspection protocols and the frequency of inspections at oil and gas sites. In order to protect the health and safety of DEP inspection personnel and the regulated community, DEP focused its inspection priorities on emergency response situations and responses to public complaints. Over the course of 2020, as DEP inspectors became more proficient in conducting inspections under the revised protocols, the inspection efficiency began to increase and the number of inspections conducted in each quarter of 2020 increased as depicted in **Figure 3**. It is expected that by the end of 2021, the number of compliance inspections will return to similar frequencies that were achieved prior to the impact of COVID.

Figure 2: “DEP Compliance Inspections (CY 2007 – 2019)”

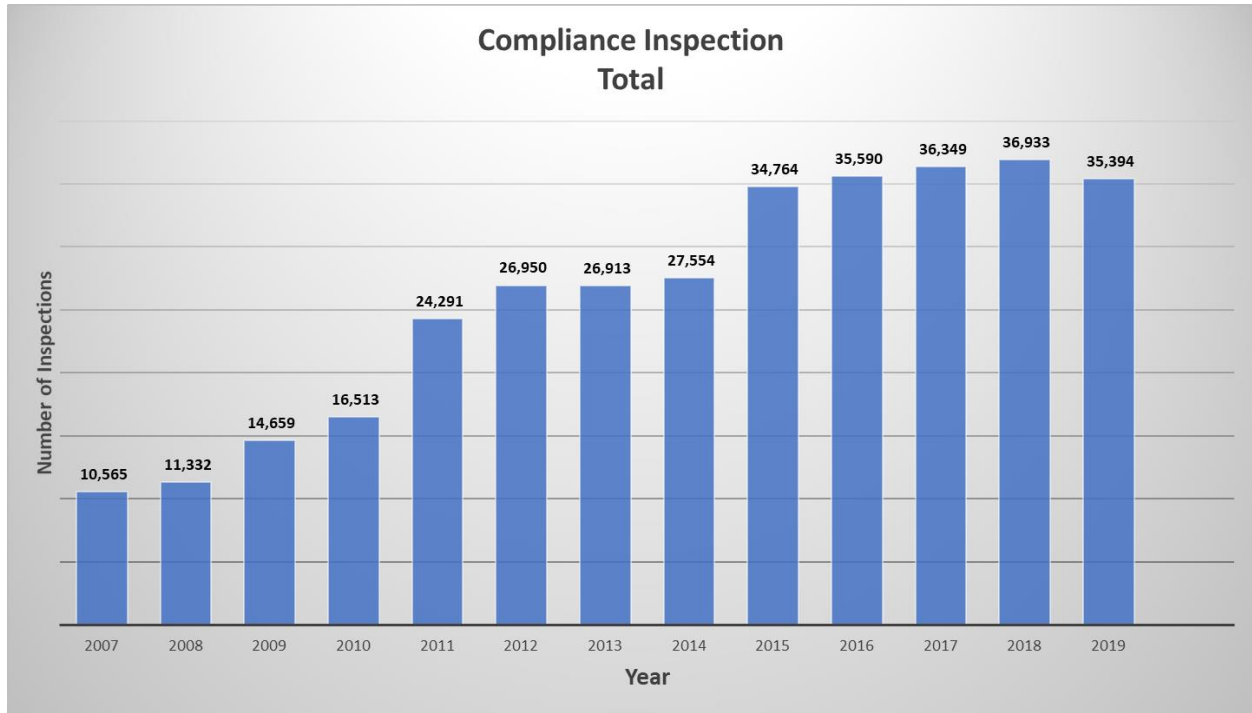
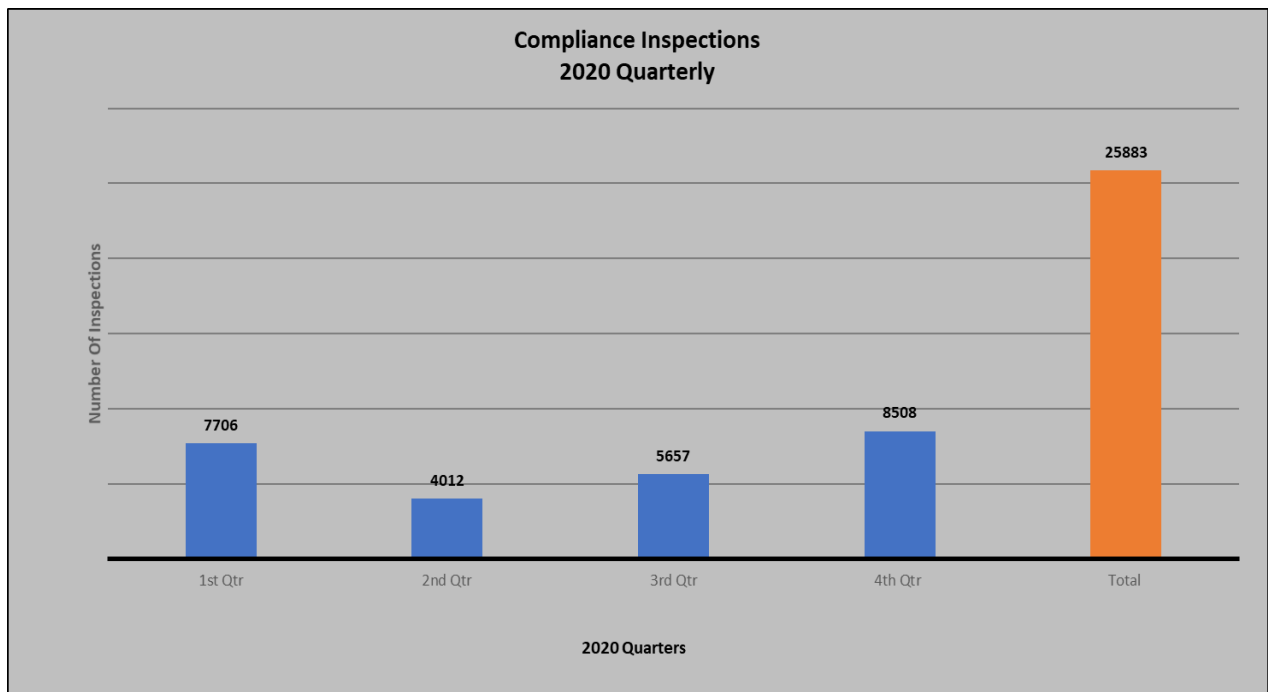


Figure 3: “DEP Compliance Inspections (CY 2020)”



New Policy Initiatives

As a result of increased workload described above and the continually advancing oil and gas industry, DEP has increasing responsibilities to develop guidance, update forms, provide training, improve data management and to study and evaluate new and evolving issues all to ensure that the Oil and Gas Program operates effectively and efficiently while providing clarity to the regulated community. Examples include:

- Develop implementation guidance, procedures and forms to implement Chapters 78, 78a and 79, with a specific emphasis on effective and accessible training
- Implementation of the settlement reached between the Department and the Marcellus Shale Coalition in the litigation regarding Chapter 78
- Development of regulatory updates, including surface activities at conventional oil and gas well sites
- Industry and DEP training on well site/natural gas gathering line permitting issues
- Development of seismic protocols and monitoring for hydraulic fracturing and underground injection
- Coordination of coal and natural gas interests and issues
- Addressing orphan and abandoned well issues efficiently and effectively, including evaluation of methane and stray gas emissions from orphan and abandoned wells
- Evaluation of natural gas storage in underground reservoirs
- Development of data submission and management tools
- Continued implementation and development of electronic permitting platforms for all permits issued by the Office of Oil and Gas Management
- Development of the prioritized review system to encourage superior environmental results when oil and gas development occurs
- Continued implementation and development of mobile inspection platforms for both surface and subsurface inspections

Plugging Orphan and Abandoned Wells

An ongoing program that has historically been severely underfunded relates to the plugging of orphan and abandoned oil and gas wells (legacy wells) across Pennsylvania. As of January 2021, DEP has located 12,096 orphan and abandoned wells and has plugged 3,433 of them; 8,663 remain unplugged. DEP estimates there are about 200,000 abandoned oil and gas wells in Pennsylvania that remain unaccounted for.

Legacy wells pose risks to human health and the environment and these risks will continue to increase in future years if this situation is not addressed. Historically, DEP has not had the financial resources to adequately address this problem. For example, in Fiscal Year 2019-20, DEP received only \$302,400 to plug abandoned wells from the surcharges contained in the Act. 58 Pa.C.S. § 3271(b) – (c). This is only sufficient to address wells that pose an imminent risk to public safety and DEP was only able to plug three such wells this fiscal year.

The Well Plugging Fund contains no surplus monies to aid in the plugging of abandoned and orphan wells. Despite its name, the purpose of the Well Plugging Fund is to pay for the general

operations of the Oil and Gas Program, and its plugging operations are funded by the Abandoned Well Plugging Fund and the Orphan Well Plugging Fund. The Abandoned and Orphan Well Plugging Funds receive revenue from a nominal permit surcharge authorized by the 2012 Oil and Gas Act (\$150 per oil well permit and \$250 per gas well permit). 58 Pa.C.S. § 3271. The permit surcharge is grossly insufficient to cover the cost of properly plugging all orphan and abandoned wells that currently exist in Pennsylvania. At current surcharge rates and per-well plugging costs, DEP would not have any material impact on reducing the number of unplugged orphan and abandoned wells in Pennsylvania for hundreds of years.

However, with the passage of the federal Infrastructure Investment and Jobs Act on November 15, 2021, Pennsylvania now has the opportunity to receive significant stimulus funding in the future to plug orphan and abandoned oil and gas wells. Pennsylvania qualifies for \$25 million in funding in the first year and could possibly qualify for more than \$300 million in additional funding over a multi-year period under a formula grant, \$40 million in performance grants and \$30 million in matching grants. Looking forward, it will be critical to ensure the Department has the necessary resources in place for Pennsylvania to fully reap the environmental, economic and public health and safety benefits of this historic investment in plugging Pennsylvania's orphan and abandoned wells.

Other Revenue Sources

Act 13 Impact Fees

Act 13 of 2012, (58 Pa.C.S. §§ 2301—3504) (Act 13), established an annual impact fee for the unconventional well industry and provided for the collection and distribution of this fee (Act 13 Impact Fee). Under section 2314 of Act 13 (58 Pa.C.S. § 2314 (relating to distribution of fee)), the Act 13 Impact Fee is collected and deposited in the Unconventional Gas Well Fund administered by the Pennsylvania Public Utility Commission. In accordance with section 2314(c.1)(3), \$6 million of the annual fees collected are distributed to the Department “for the administration of [Act 13] and the enforcement of acts relating to clean air and clean water.”

Currently, the \$6 million appropriated to the Department from the Act 13 Impact Fee is allocated to the Oil and Gas Program. Significantly, these fees are not dedicated solely to the Oil and Gas Program and may be used to support the Department's air and water programs. Allocation of these funds ultimately depends on the Department's immediate needs. The Department has determined that it is currently appropriate for the Program to receive all \$6 million dollars from the Department's Act 13 Impact Fee appropriation due to declining well permit application revenue.

Civil Penalties

The Program also receives revenue from fines and civil penalties assessed for violations of the 2012 Oil and Gas Act. The Department has not included fines and civil penalties in its well permit application fee analysis, because relying on penalties to fund fundamental elements of a regulatory program is not appropriate and is contrary to sound public policy.

Chapter 102 and Chapter 105 Fees

The Department receives fees from permit applications under 25 Pa. Code Chapters 102 and 105 (relating to erosion and sediment control; and dam safety and waterway management), including the Erosion and Sediment Control General Permit. These fees are not currently distributed to the Program. Instead, they are deposited into the Clean Water Fund. These fees are committed to funding critical operations that support County Conservation Districts as well as Department staff who, among other responsibilities, provide support and training to staff within the Program that review Chapter 102 and Chapter 105 permit applications and inspect permitted projects. In the Department's analysis of these fees, it was determined that if the Chapter 102 and Chapter 105 permit application fees were re-allocated to the Program, the Program would receive less of the \$6 million from the Act 13 Impact Fee because the Chapter 102 and Chapter 105 programs would then need a portion of those funds to make up for this reallocation.

Conventional Well Permit Application Fees

Section 78.19(a) provides a sliding scale for conventional well permit applications based on total well bore length from \$250 for a well bore up to 2,000 feet to \$1,950 for a well bore between 11,501 feet to 12,000 feet. See 25 Pa. Code § 78.19(a). Conventional wells exceeding 12,000 feet pay \$1,950 plus \$100 for every 500 feet the well bore extends over 12,000 feet. See 25 Pa. Code § 78.19(b). Home use wells with a well bore length of 1,500 feet or less pay a \$200 well permit application fee. See 25 Pa. Code § 78.19(e).

Over the past three fiscal years, DEP has received on average 186¹ conventional well permits per year. The average conventional well permit application fee during this timeframe was approximately \$289².

The number of conventional well permit applications has trended lower in recent years. The following table lists the total revenue received from conventional well permit application fees from FY2015-16 through FY2020-2021.

Fiscal Year	Conventional Permit Application Fee Revenue
2015-16	\$97,750
2016-17	\$84,300
2017-18	\$76,973
2018-19	\$75,050
2019-20	\$40,050
2020-21	\$46,100

¹ This number is derived by adding the number of conventional permits received in FY2018-19 (251), FY19-20 (129) and FY20-21 (177) which equals 557. Divide 557 by 3 years = 186 per year

² This permit fee estimate is derived by dividing \$161,200 (amount of conventional permit fees collected from July 1, 2018 through June 30, 2021) by 557 conventional permit applications received during this same timeframe.

This decrease in applications has resulted in less revenue from conventional well permit application fees. These fees are included in the Program's overall budget and represent about 0.2%³ of the Program's annual operating costs.

Most, if not all, conventional well operators qualify as small businesses. The cost to drill a conventional oil well is approximately \$115,000, and the cost to drill a conventional gas well is approximately \$250,000. The 3-year average conventional well permit application fee paid was \$289. Thus, the average conventional well permit accounts for between 0.25% and 0.12% of the cost to drill a conventional well, respectively.

If the Program projects that it will receive 186 conventional well permit applications annually at the average conventional well permit application fee of \$289, the Program can anticipate receiving \$53,754⁴ per year from conventional well permit application fees under the existing fee structure.

The conventional industry accounts for approximately 40% of the cost of administering the Program; therefore, even at the amount to maintain reduced staff numbers at \$25 million, the conventional industry proportional costs would be about \$10 million. If DEP anticipates 186 conventional well permit application per year, the conventional well permit application fee would need to be set at a flat rate of nearly \$53,763⁵ per application to account for the conventional industry proportional costs.

The Program has determined that a conventional well permit fee of \$53,763 is not reasonable. Due to both the anticipated permit volume and proportional costs, DEP has determined that it is reasonable for the conventional industry to pay less for permits than the unconventional industry.

2020 Final-Form "Unconventional Well Permit Application Fees" Rulemaking

Based on the analysis in the 2018 Fee Report, DEP presented the Proposed Unconventional Well Permit Application Fee Rulemaking to EQB on May 16, 2018. The proposed rulemaking sought to increase unconventional well permit application fees from \$5,000 for a nonvertical unconventional well and \$4,200 for a vertical unconventional well, to \$12,500 for all unconventional well permit applications. DEP did not propose to amend the existing permit application fee structure for conventional wells.

The proposed "Unconventional Well Permit Application Fees" rulemaking was published in the *Pennsylvania Bulletin* on July 14, 2019, with a 30-day public comment period. The comment period closed on August 13, 2019 and DEP prepared a Comment and Response Document addressing comments received from all commenters and the Independent Regulatory Review Commission (IRRC) and advanced the final-form rulemaking to EQB on January 21, 2020. The EQB adopted the final-form rulemaking, and on June 18, 2020, IRRC unanimously approved the

³Based on the most recent 3-year avg. for the conventional permit fees, this number has dropped from 0.5% in the prior 3-Yr Fee Report to about 0.2% of the Program's costs in this draft 3-Yr Fee Report. Derived as follows: \$161,200 conventional permit fees collected over past 3 years, divide by 3 year = \$53,733. Divide \$53,733 by \$25 million = 0.2%.

⁴ 186 conventional permits x \$289 = \$53,754

⁵ \$10 million divided by 186 permits/yr. = \$53,763

final form rulemaking. This final-form rulemaking became effective upon publication in the *Pennsylvania Bulletin* on August 1, 2020.

The purpose of this fee increase was to use the fees generated from unconventional well permit applications to sustain the Oil and Gas Program with a reduced complement of 190 employees.

DEP relied on the unconventional well permit applications for Fiscal Years 2014-2015, 2015-2016, and 2016-2017 to project that DEP would receive approximately 2,000 unconventional well permit applications per year. Additionally, DEP projected the costs to fund the program at its reduced complement of 190 employees and operating costs at approximately \$25 million. Accordingly, the final-form rulemaking established an increased unconventional well permit application fee of \$12,500.

In the final-form rulemaking, DEP acknowledged the challenges in predicting the number of well permit applications. DEP noted that the variability of unconventional well permit applications may be attributed to various market and industry changes. All of the trends impacting incoming well permit application numbers are outside DEP's control, may be subject to vacillating commodity markets and not readily predictable.

Because of the reasonable uncertainty, in the event that actual well permit applications received in the years following this final-form rulemaking do not meet the permit application projections, DEP established a funding buffer including revenue from the conventional well permit application fees and the \$6 million distributed to DEP from the Act 13 Impact Fees. If needed, the funding buffer was intended to sustain the Program. If not needed, those funds were intended to be allocated for needed program enhancements, restoring staff complement and adding necessary staff to adequately and effectively administer the applicable law.

DEP estimated that approximately \$6.5 million was needed for program enhancements, including information technology projects such as enhancing the current mobile digital inspections tools, digitizing forms and developing new databases, and 49 additional positions. Additional staff needs were based on the Program's 2016 workload analysis.

Current Revenue and Permit Fee Status

As shown in **Attachment A**, total well permit application fee revenue has been trending downward since FY2014-15 due to the decline in permit applications received from oil and gas operators. In FY2014-15, DEP received \$13,504,728 in permit fees compared to only \$5,815,163 in FY2019-20. This represents a decrease of \$7,689,565, which is a 57 percent decrease in permit fee funding over the past five fiscal years. Despite the fee increase that went into effect during FY2020-21, the Well Plugging Fund Restricted Revenue Account is trending toward a negative balance in FY2023-24.

The number of unconventional well permits received from FY2014-15 to FY2020-21 are listed below.

	Number of Unconventional Permits Received
FY2014-15	2,533
FY2015-16	1,646
FY2016-17	1,993
FY2017-18	1,672
FY2018-19	1,700
FY2019-20	1,154
FY2020-21	775

While the Department projected that the Program would receive 2,000 unconventional well permit applications per year in the 2020 final-form “Unconventional Well Permit Application Fees” Rulemaking, the Program actually received 775 unconventional well permit applications in FY2020-2021. Accordingly, while the Program anticipated receiving \$25 million from unconventional well permit application fees in FY2020-21, the Program actually received \$8,528,782. This unconventional revenue plus the \$6 million distributed to DEP from the Act 13 Impact Fees and the conventional well permit application fees totaling \$46,100 equals \$14,574,882. Therefore, even using the funding buffer, the Program does not have the funding to sustain its reduced staff complement.

Expenditures, in contrast to revenues, have remained steady with limited growth, and are tied to the Program’s responsibilities. Over the past three fiscal years, personnel costs remain the dominant expenditure, approximately 84% of total operating costs. DEP’s oil and gas personnel are essential to the review of permit applications and inspection of facilities, necessary to the oil and gas industry and in service to the health and safety of Pennsylvania’s citizens.

This recent evaluation of the ongoing disparity between fee revenues and the costs to run the Program suggests that DEP would need to reduce its complement by almost 70 additional positions (or an additional 37% of Oil and Gas Program staff) in order to make up the annual net loss in DEP’s oil and gas program funding. This is an untenable approach that would render the Program incapable to meet its statutory obligations and the expectations of Pennsylvania citizens and the industry. Even at current staffing levels, the Program struggles to meet its gas storage field inspection goals, consistently achieve appropriate permit review time frames, adequately fund training opportunities for staff and develop and offer training for industry. Important Program development initiatives, such as policies, best practices and technical guidance documents, have been put on hold because of a lack of sufficient staff to develop and update these important pieces of the Oil and Gas Program. In short, the Program is challenged to provide an adequate level of high quality service to the public and to the oil and gas industry. Without adequate funding, service quality and Program capabilities will diminish significantly.

CONCLUSION:

DEP projected that the \$12,500 flat permit fee would be adequate to support the Program, provided DEP receives 2,000 unconventional well permits annually. During the first fiscal year that the new unconventional well permit fee was in effect, the Department received less than half the number of unconventional well permits than expected. In FY2020-21, the unconventional permits fee revenue amounted to less than \$8.6 million.

Although the number of unconventional natural gas permits have fallen off dramatically, the volume of natural gas produced by unconventional operators has continued to steadily rise. In calendar year 2020, the total volume of natural gas produced in Pennsylvania climbed to an all-time high of 7.1 trillion cubic feet. Pennsylvania continues to maintain the distinction as the second largest producer of natural gas in the nation, behind Texas.

Given the downward trend in the number of well permit applications submitted to DEP and all indications that permit volumes are not expected to rebound in the near term, the current well permit fee is not sufficient to fund DEP's Oil and Gas Program. Moreover, the well permit application fees have proved to be unreliable to fund the Program. While revenues are declining, the Oil and Gas Program's responsibility to inspect and monitor existing wells continues to increase as the inventory of active oil and gas wells grows in addition to the other workload requirements and policy initiatives described above.

The most recent unconventional well permit application fee increase was intended to generate a sufficient amount of revenue to support the general operations of the Program; however, due to the continued downturn to the volume of unconventional well permit application received to date, the current permit fee and structure is not adequate to sustain the oil and gas program into the future.

Comments received in 2019 in the proposed "Unconventional Well Permit Application Fee" rulemaking process suggested that DEP should consider identifying another source of funds to pay for the administration of Oil and Gas Program, since the permit fee cannot be relied upon based on the uncertainty of future revenue levels. Likewise, during the Independent Regulatory Review Commission (IRRC) meeting on June 18, 2020 when the IRRC approved the final Unconventional Well Permit Application Fee rulemaking, the Chairperson commented that a fee structure based on a one-time permit fee to cover the ongoing costs to administer the DEP oil and gas program is unpredictable and not sustainable. DEP agrees and is in the process of developing alternate funding options.

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.