

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 06/19/2024  
POSITION: Oppose

BILL NUMBER: AB 3233  
AUTHOR: Addis, Dawn

**BILL SUMMARY: Oil and gas: operations: restrictions: local authority.**

This bill would authorize a local entity, as defined, to prohibit, through the use of ordinances, oil and gas operations or development in that local entity's jurisdiction. The local entity would also be authorized to impose regulations, limits, and prohibitions on oil and gas operations and developments that are more protective of public health, the climate, or the environment than those already enacted by state law, regulation, or order. The bill would also make findings and declarations that cities and counties must have the authority to regulate oil and gas operations in their jurisdictions, including those that may otherwise be approved by the State Oil and Gas Supervisor (Supervisor). In addition, this bill changes the purposes of the Department of Conservation's Geologic Energy Management Division (CalGEM), including the addition of a mandate to minimize harm from oil and gas operations. The bill includes language stating its provisions are severable and that if any provision were held invalid, the invalidity would not impact other provisions of the bill.

**FISCAL SUMMARY**

The Department of Justice (DOJ) estimates unquantifiable but potentially significant General Fund costs for the Land Use and Conservation Section, within DOJ's Public Rights Division, to handle potential litigation challenging this bill. DOJ notes this workload could require a significant increase in attorney hours.

CalGEM estimates unknown but potentially significant costs associated with the provisions of this bill. Since this bill allows local agencies to determine what regulations to enact, the resources required for CalGEM to coordinate with these local agencies would vary. Anticipated workload includes CalGEM field staff who would require resources to understand and track each local ordinance and its requirements, and legal staff who may need to be involved to determine if any local ordinances conflict or overlap with CalGEM's existing programs, regulations, and permits.

Any coordination requirement by a local jurisdiction for implementation and enforcement may also incur significant costs. Finance notes that depending on the restrictions imposed by local agencies, this bill may also increase the risk of more orphaned wells, which would increase the state's fiscal liability to address those wells.

In addition, CalGEM notes that if a local jurisdiction required improvements or changes to the Statewide Tracking and Reporting System (WellSTAR), which tracks every known well in California and provides geographic and permitting information about each well and oil field, those changes may drive significant additional costs. CalGEM estimates that modifications to WellSTAR often require significant investments, usually over \$1 million, to complete needed upgrades.

The California Air Resources Board (CARB) and the State Water Resources Control Board (SWRCB)

Analyst/Principal (610) Lierly, Zachary	Date	Program Budget Manager Almy, Matt	Date
Department Deputy Director		Date	
Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved _____
BILL ANALYSIS			Form DF-43 (Rev 03/95 Buff)

Addis, Dawn

06/19/2024

AB 3233

**FISCAL SUMMARY** (continued)

estimate no fiscal impact associated with the provisions of the bill. Finance concurs with these estimates.

Finance notes that any requests for additional resources are subject to review and approval through the annual budget process.

**COMMENTS**

The Department of Finance is opposed to this bill for the following reasons:

- Potentially significant cost pressures not included in the budget for both CalGEM to implement the provisions of this bill and DOJ's anticipated workload to handle potential litigation challenging this bill. In addition, this bill may increase the state's fiscal liability if local agency restrictions result in more orphaned wells.
- While attempting to ensure that local jurisdictions are not preempted from imposing restrictions on oil and gas operations that are stricter than those imposed by the state, this bill may create new responsibilities for CalGEM. Since jurisdictions will be acting independently, this bill contains no provisions regarding local agency coordination with CalGEM. This could result in inconsistent regulatory standards that would unnecessarily complicate and hinder CalGEM's enforcement compliance efforts in reviewing and regulating proposed and ongoing oil and gas operations.
- The added mandate to minimize harm from oil and gas operations is unnecessary, unclear, and potentially unenforceable for both the Department of Conservation and the regulated community. Oil and gas operators are already required under current laws and regulations to protect public health and safety and the environment. The changes to CalGEM's purpose may also be seen as less protective of the environment than the current purpose statement due to the removal of language pertaining to greenhouse gas reduction.

This bill seeks to address a recent State Supreme Court case, *Chevron U.S.A. Inc. v. County of Monterey* (2023), that struck down Measure Z, a county-wide initiative ordinance to ban several oil-and-gas-related practices. The Court found the initiative was preempted under current law, and this bill would provide that state law does not preempt local government action to regulate, limit, or prohibit oil and gas operations within their jurisdictions. Even though this would authorize local agencies to regulate how operations may take place, it is possible that restrictions may continue to face legal challenges from industry.

Code/Department Agency or Revenue Type	SO LA CO RV	(Fiscal Impact by Fiscal Year)						Fund Code	
		PROP 98	FC	2024-2025 FC	2025-2026 FC	2026-2027 FC			
0820/Justice	SO	No	C	1,000-9,000	C	1,000-9,000	C	1,000-9,000	0001
3480/Conservation	SO	No	C	30,000-39,000	C	30,000-39,000	C	30,000-39,000	3046
<u>Fund Code</u>	<u>Title</u>								
0001	General Fund								
3046	Oil, Gas and Geothermal Administrative								