

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 145** SLS 11RS 56
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 13, 2011 3:38 PM	Author: CLAITOR
Dept./Agy.: Natural Resources/Revenue	Analyst: Stephanie C. Blanchard
Subject: Gulfward boundary and coastline of Louisiana	

COASTAL RESOURCES RE SEE FISC NOTE GF RV See Note Page 1 of 1
 Provides relative to the gulfward boundary and coastline of Louisiana. (8/15/11)

Current law, enacted in 1954, provides that the historic gulfward boundary of the state of Louisiana extends a distance into the Gulf of Mexico 3 marine leagues from the coast.

Proposed law provides that the historic gulfward boundary of the state of Louisiana extends a distance into the Gulf of Mexico 3 marine leagues (nine geographic miles) from the coastline. The coastline of Louisiana shall be the line of ordinary low water along that portion of the coast which is in direct contact with the open sea and the line marking the seaward limit of inland waters, and shall be not less than the baseline defined by the coordinates set forth in United States v. Louisiana, 422 U.S. 13 (1975), Exhibit "A". this essentially adds six miles of new offshore area to the state's jurisdiction. The bill also provides that the State of Louisiana shall be entitled to all the lands, minerals and other natural resources underlying the Gulf of Mexico, extending seaward from its coastline for a distance of three marine leagues.

EXPENDITURES	2011-12	2012-13	2013-14	2014-15	2015-16	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2011-12	2012-13	2013-14	2014-15	2015-16	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

The Department of Natural Resources is currently unable to determine the resource and staffing requirements of administering leases in the 6 mile zone addressed by this bill. However, there is substantial amount of oil & gas activity that would have to be overseen by the Department, and it is likely that additional staff and expenditures would be required to carry out its responsibilities over this new area of state jurisdiction.

REVENUE EXPLANATION

The Department of Natural Resources has performed two distinct analyses regarding extending the state's jurisdiction outward into the Gulf of Mexico. In one analysis the Department located each lease and its production in the Gulf in terms of distance from the current Louisiana boundary. Annual volumes were calculated for a number of year and average annual oil and gas prices were applied along with royalty shares to estimate revenue collection potential of mineral production associated with various distances from the current state boundary. Existing receipts to the state from the 8(g) zone were subtracted to arrive at a revenue estimate of \$342 million in 2010.

In a separate analysis the Department made estimates of volumes and values for production in a zone 3 - 6 miles offshore (outside the existing 3-mile state jurisdiction) and assumed those results would also apply in a zone 6 - 9 miles offshore. The resulting amount of estimated revenue potential was \$480 million.

These two analyses together provide a range of potential mineral revenue associated with this bill of \$342 million - \$480 million. The Department did not assess the conditions under which such revenues could be received by the state or the likelihood of receipt, and Legislative Fiscal Office is also unable to make such assessment. Presumably, the state would have to negotiate agreements with the federal government to achieve what this bill seems to contemplate, with respect to offshore mineral production and associated revenue.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}	<input type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}	<input type="checkbox"/> 6.8(F)2 >= \$100,000 Annual SGF Cost {H&S}	Gregory V. Albrecht Chief Economist
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}	<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}		