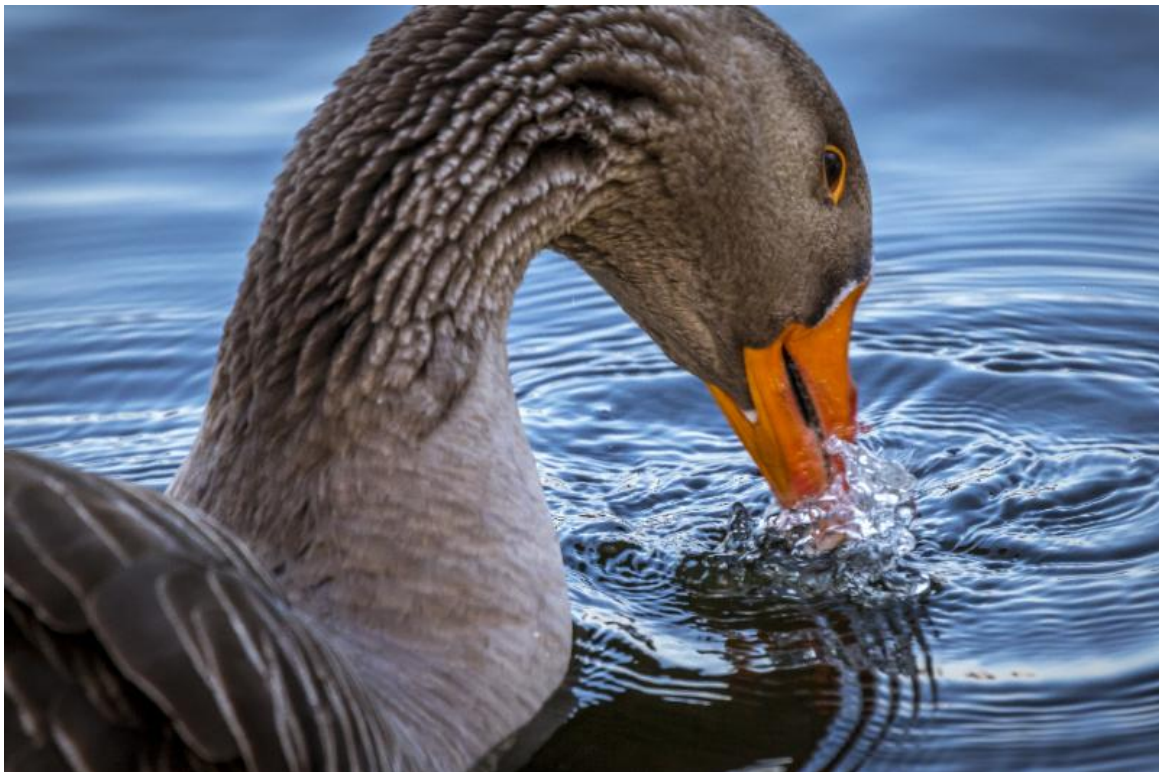




PUBLIC AFFAIRS RESEARCH COUNCIL OF LOUISIANA

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The GOMESA Golden Goose

Offshore revenue sharing through the Gulf of Mexico Energy Security Act (GOMESA) is critical to Louisiana's coastal protection and restoration efforts. It is the largest long-term recurring source of revenue available to finance Louisiana coastal projects. For that reason, the narrowly focused purpose of GOMESA funds and the mechanism to spend those dollars need to be clearly articulated by state leaders and well understood by stakeholders and the public.

The federal government collects revenue from oil and gas operations in federal Gulf

waters. When Congress passed GOMESA in 2006, it created revenue sharing provisions for the four Gulf oil and gas producing states of Alabama, Louisiana, Mississippi and Texas. Parishes and counties in the coastal region also are due to receive funds. Phase I of GOMESA allocated relatively small amounts of revenue to the states collected from oil and gas operations in limited designated areas of the outer continental shelf for fiscal years 2007 through 2016. Under Phase II starting in 2017, a portion of the federal revenue from much larger areas are being allocated to the states based on a formula established by the Secretary of the Interior.

The original revenue estimates had Louisiana receiving \$140 million a year in Phase II. However the slump that depressed oil markets in 2015 also had an effect on GOMESA. The federal government and the states have less revenue to share than anticipated. More recent estimates now place the figure at around \$70 million annually for the foreseeable future.

How should GOMESA be used?

GOMESA directs that its funds can be used for projects and activities for the purposes of coastal improvements, including conservation, coastal restoration and hurricane protection. Another of the authorized purposes is infrastructure directly affected by coastal wetland losses. The Louisiana Coastal Protection and Restoration Authority approved a resolution that allows for the use of up to 10% of Louisiana's GOMESA revenues for infrastructure, such as state highway improvements. This action opened up a variety of projects that could be funded through CPRA that might normally be the province of the Louisiana Department of Transportation & Development.

Recently, CPRA reversed this decision to use GOMESA dollars for transportation projects because the revenue forecast was cut in half. Given the limited nature of the funds available for coastal restoration, this was the prudent call. Although important transportation projects may have to await other resources, the CPRA should continue to exercise caution in diverting GOMESA money to such projects, especially under the reduced revenue forecast.

We cannot assume Louisiana will continue to receive GOMESA revenue. Federal decision makers have sought to change the law to use the offshore royalties for general spending in the federal budget instead of dedicating these funds to the Gulf states. This desire to redirect GOMESA funds cuts across party and ideology. The administrations of both Presidents Obama and Trump have attempted to spread coastal funding to other areas of the federal budget. This constant potential threat to GOMESA should keep state policy makers vigilant. Any perceived misuse of coastal dollars in Louisiana could provide the ammunition needed to those who would like to see the GOMESA money spent elsewhere.

Securitizing the Future

Another interesting, potentially positive use of GOMESA would be to secure a loan. A state board called the Coastal Protection and Restoration Financing Corporation has discussed securitizing this funding stream for coastal restoration and protection. In essence the state would take out a loan and use the proceeds for coastal projects. GOMESA funds would

then be used to make the payments on the loan. This process of bonding out GOMESA would not generate any more dollars for the coastal program, but it would allow access to the money quicker. The motive is that the sooner the state can invest in the coast, the sooner the impacts of coastal land loss can be mitigated. However, like any loan, the state would pay interest on the money it borrowed, potentially leaving the state with less buying power overall in the long run.

In order for any securitization to happen, several steps have to take place first. The Finance Corporation will need an econometric study to demonstrate the move makes financial sense and will need to make recommendations regarding the bond deal. Any bonds would have to be approved by CPRA, the Legislature and the State Bond Commission.

One of the greatest strengths of GOMESA funding is its flexibility. Other funding sources, such as settlements from the Deepwater Horizon spill, come with a number of stipulations that make long-term financial planning difficult for the state. This flexibility can be its greatest weakness as well. If GOMESA dollars are spread too thin between coastal protection, restoration, affected infrastructure and making loan payments, then the impact of the money would be diluted.

A vigorous discussion should be had over the appropriate functions for GOMESA funds. But too often in Louisiana we tend to make sure everyone gets their "share" rather than making decisions based on state priorities and good science. That is the purpose of the master planning process and why it is so important to follow it.

However the future of GOMESA is decided, the process of getting to those decisions should be clear and well articulated. State agencies and legislators should know their roles and understand the key decision points, as should citizens and stakeholders. A transparent decision-making process is not something that can be taken for granted, particularly with so many players under a lengthy timeline. Misunderstandings or subterfuge could delay important work needed to fix our coast. If Louisiana cannot manage the use of GOMESA properly and with obvious integrity, other states will be more than happy to take the dollars off our hands. If our poor decisions result in the loss of funding, then we will have no one else to blame for killing the GOMESA golden goose.

Recommendation

The Coastal Protection and Restoration Financing Corporation should begin to explore the best opportunities to secure and leverage the anticipated GOMESA revenues. The process for allocating GOMESA funds should be transparent and clearly articulated. State agencies and legislators should know their roles and the process should be explained to citizens and stake holders in advance of decisions.

For more information, contact:
Steven Procopio, Policy Director
225-926-8414, ext. 224
steven@parlouisiana.org

Preview of Upcoming Topics: What to Look Forward To

PAR will help citizens navigate the complicated waters of coastal protection, with a series of releases this week studying a variety of recommendations and programs:

- Louisiana Disappears as Earth Day Approaches
 - Growing the Water Economy
 - Sustaining Coastal Progress
 - The GOMESA Golden Goose
- The Crucial Role of Local Partners
- Recommendations for the Future

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