

Testimony of
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“Issues and Legislation Related to Energy Development on Federal Land”

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Chairman of the Board for the Coastal Protection and Restoration Authority

Chairman Murkowski, Ranking Member Manchin, and members of the committee, thank you for inviting me to participate in today's hearing. I appreciate the opportunity to offer a state's perspective on federal revenue sharing, and to speak in support of the Conservation of America's Shoreline Terrain and Aquatic Life Act (COASTAL Act), S.2418. On behalf of the State of Louisiana, thank you, Madam Chairman, and Senator Cassidy for being the lead sponsors of this important legislation.

My name is Chip Kline and I am the Governor's Executive Assistant for Coastal Activities for the State of Louisiana and the Chairman of the Board for the Coastal Protection and Restoration Authority (CPRA). The CPRA Board is the official policy-setting body guiding our state's comprehensive response to the rapid loss of wetlands and coastal ecosystems and the increasing threat of storm surge faced by our coastal communities and economies. Our Board is made up of nine separate state agencies from the Department of Wildlife and Fisheries to the Departments of Economic Development and Insurance. We also have 11 additional seats for regional representatives, such as parish presidents and the heads of levee districts, and for two members of the Louisiana Legislature.

The CPRA Board was formed in the aftermath of Hurricanes Katrina and Rita that resulted in the loss of nearly 2,000 lives, the destruction of 250 square miles of coastal wetlands, and caused over \$200 billion in damages to homes, businesses, and infrastructure in our state. These disasters were a turning point for Louisiana. We stepped away from the siloed approach of dealing with wetland loss in one department and hurricane protection in another in favor of a comprehensive, integrated approach under one roof. Protection and restoration, after all, are two sides of the same coin and both are essential if we are to maintain the cultural and economic riches found along our coast into the future. Leadership of this effort is vested in the Governor's Executive Assistant for Coastal Activities who also serves as Chairman of the CPRA Board.

Louisiana's tool in this all-important fight is the Coastal Master Plan. The Coastal Master Plan is our state's 50 year, at least \$50 billion plan to protect our coastal areas and begin to reverse the 2,000 square miles of coastal wetlands loss that we have experienced since 1930. The Coastal Master Plan is revised by the Coastal Protection and Restoration Authority every six years through a scientific and public process. The Plan is then approved by our legislature. The Coastal Master Plan is our framework for making difficult decisions. It is a tool to confront the analytical challenges of a complex coastal environment, a 50 year planning horizon, uncertain future environmental conditions, multiple project types, and diverse community needs. It is our guidebook for implementing meaningful restoration and protection projects while recognizing that there is no single, optimal solution: near-term and long-term needs must be addressed, different stakeholders need different things from the coast, and both restoration and flood protection solutions each have their place. Our coast is a "working coast" across which hundreds of pipelines carry federal oil and gas from the Outer Continental Shelf to and through our state to serve people, communities and industries across our nation. Madam Chairman, I would like to introduce for the record a map showing the density of pipelines from the OCS to and through our state, which is attachment 1 to this testimony.

The Coastal Master Plan is also something very concrete. It is a list of 124 projects that, when fully implemented, we believe will reduce flood damage by \$150 billion and maintain or build 802 square miles of coastal wetlands by the end of its 50 year planning horizon. This plan contains massive commitments to flood protection structures like the Morganza to the Gulf levee system and enhanced protection for the Greater New Orleans area. It provides for \$6 billion in investments in home elevations, flood proofing and buyouts. And it demands ecosystem restoration projects at a scale not being attempted anywhere else in this country. A major contributing factor for much of our coastal loss is the failure to provide a means for river sediment to return to our coastal wetlands periodically when the Mississippi River was leveed by the federal government following the devastating Mississippi River flood of 1927. Thus, we intend to dredge and place sediment to restore thousands upon thousands of acres of wetlands and barrier islands across our coast and to reconnect coastal ecosystems to the land building power of the Mississippi River through sediment diversions. Taken together, this integrated approach to ecosystem restoration and hurricane protection provides us with the chance to preserve the attributes of coastal Louisiana that are important to our people and the nation as a whole even in the face of increased sea level rise, continued subsidence, and more intense hurricanes.

No plan means very much if it is not funded for implementation. That is why today I am here to express our state's full support for S. 2418, the Conservation of America's Shoreline Terrain and Aquatic Life, or COASTAL Act. The COASTAL Act builds on the important work of former Senator Mary Landrieu and others who, also in the wake of Hurricanes Katrina and Rita, finally succeeded in establishing revenue sharing for a portion of the federal oil and gas revenues derived from the Outer Continental Shelf of the Gulf of Mexico through the Gulf of Mexico Energy and Security Act of 2006, or GOMESA. The revenue sharing in GOMESA is based on the federal policy precedent established by the revenue sharing contained in the Mineral Lands Leasing Act of 1920. The original act provided revenue sharing for roads and schools that Congress knew would be needed to support the development of minerals from federal lands located in the various states. Later the act was amended to allow the revenue sharing funds to be spent for any government purpose. I understand that the State of New Mexico received over \$1.1 billion in revenue sharing in FY2019 and those funds represent 20% of the state's budget for their coming fiscal year.

Unfortunately, GOMESA does not apply to all federal oil and gas production in the Gulf of Mexico but only about 5% of the production, and 37.5% of the revenue from that small portion of the Gulf production is shared with the four gulf coast states, not 50% as in the Mineral Lands Leasing Act – and the GOMESA revenue sharing is subject to a combined cap of \$375 million as opposed to no cap on sharing in the Mineral Lands Leasing Act of 1920. Madam Chairman, I would be remiss if I did not report that Louisianans believe this disparity of treatment is grossly unfair and they do not accept the excuse that the federal budget rules prevent greater sharing with the gulf coast states. This disparity of treatment is particularly unacceptable in light of the scientific proof that the pipeline activities across our coast – activities that are needed to bring federal OCS oil and gas ashore – have contributed to our coastal wetlands loss.

GOMESA recognizes that there is a balance to be struck between the economic and energy benefits of developing mineral resources on public lands and the environmental toll that those activities inevitably entail. Louisiana is proud to be one of the states that fuels this nation, but accessing and producing these resources has contributed to coastal impacts that jeopardize our ecosystems and populations. It should also be noted that as our coastal environments weaken the facilities and pipeline infrastructure that brings those energy resources onshore also grow more exposed to waves, storm surge, catastrophic storms, and continued environmental degradation.

GOMESA established two phases for revenue sharing, Phase I was very limited in terms of which leases qualified for revenue sharing and only returned \$36.7 million in total to all four Gulf Producing States and their 42 political subdivisions over the entire 10-year Phase I period. This \$36.7 million in disbursements was from a period in which the Gulf of Mexico OCS created \$68 billion in revenues for the federal treasury.ⁱ

Phase II of GOMESA began in federal fiscal year 2017, and the first checks arrived to States like mine in May of 2018. Thanks to a larger geography of leases eligible for revenue sharing, Phase II has produced \$402.9 million for Gulf States and Political Subdivisions in just two years. Of this \$402.9 million, Louisiana's share has been approximately \$177.6 million. Relative to the roughly \$8.1 billion in revenue collected from the entire Gulf of Mexico over the same two years,ⁱⁱ the rate of revenue sharing for Gulf States is around 5%. While this is a welcome and much needed improvement over the 0% shared before GOMESA, and the 0.07% shared during Phase I of GOMESA, we are still a long way from the 50% sharing of all revenues for inland producing states provided by the Mineral Lands Leasing Act of 1920. Additionally, the Mineral Lands Leasing Act of 1920 has no cap on the amount of federal funds that can be shared.

GOMESA is a critical funding stream for our efforts to implement the Coastal Master Plan. Louisiana, by constitutional amendment authored by Louisiana State Senator Reggie Dupre, and adopted through a state-wide vote in 2006, has committed all GOMESA funds to CPRA's trust fund to be spent exclusively on coastal protection and restoration activities. Now that we have entered Phase II of GOMESA and our receipts from GOMESA have increased, we are able to make stronger investments in Coastal Master Plan priority projects. In January of this year, our Governor pledged around \$300 million over the next three years to coastal projects contained in the Master Plan and supported strongly by local levee districts and parishes.

One project that is now able to move forward is the construction of a permanent closure structure across Bayou Chene in St. Mary Parish. During high water events on the Atchafalaya River, backwater flooding through Bayou Chene can impact portions of five parishes in south central Louisiana. Because of this danger, Bayou Chene has been closed in an emergency fashion during the floods of 2011, 2016, and again in this historic flood year. Before coastal Louisiana was threatened by Hurricane Barry, the emergency closure at Bayou Chene held back 1-2 feet of water from entering surrounding parishes that were already being impacted by high water from other directions. When Hurricane Barry pushed additional water up Bayou Chene, the structure prevented 4.5 feet of water from entering the region protecting people, assets, and infrastructure. GOMESA has allowed us to commit \$80 million for the construction of a permanent structure across Bayou Chene that can be opened and closed during emergencies rather than relying on temporary fixes.

GOMESA is also providing resources that CPRA is investing in levee systems in Terrebonne and Lafourche Parishes through a project known as "Morganza to the Gulf". This year Hurricane Barry brought storm surges of 9-11 feet to the Terrebonne and Lafourche areas, levels not seen since 2005 during Hurricane Rita. Thanks to state and local investment since 2005, numerous improvements have been made to the levee systems protecting these communities with dramatic effects. In 2005, Hurricane Rita resulted in the flooding of 11,000 homes. In Hurricane Barry, with a similar storm surge, only 12 homes flooded. GOMESA has allowed us to commit additional funds to further enhance the protection for this region of our coast.

In Texas, GOMESA funding has supported the development of the 2019 Texas Coastal Resiliency Master Plan, the second installment of their statewide plan to ensure that the ecology and economy of their coast is protected and promoted in a sustainable manner. This plan recommends 123 Tier 1 projects at a total cost of \$5.4 billion that include actions to restore and sustain beaches and dunes, protect coastal communities from storm surge, enhance rookery islands and oyster reefs, manage the delta, conduct watershed planning, and prevent coastal shoreline erosion and wetlands loss among others.ⁱⁱⁱ

Coastal oyster resources have been a major focus of the State of Mississippi's GOMESA investments to date. Through its oyster plant project over 60 million oysters on shell or crushed concrete were placed into the Mississippi Sound to enhance the future growth of oysters. A second project added cultch material to repair a diminishing oyster population in Western Mississippi Sound, Eastern Mississippi Sound, and the Biloxi Bay areas. Earlier this year, Gov. Ivey of Alabama committed to 15 projects totaling \$28.7 million utilizing GOMESA funds.^{iv} Among those projects are efforts to conduct research pertaining to algal blooms and sediment; recreational and public access improvements, habitat protection; and education and stewardship.

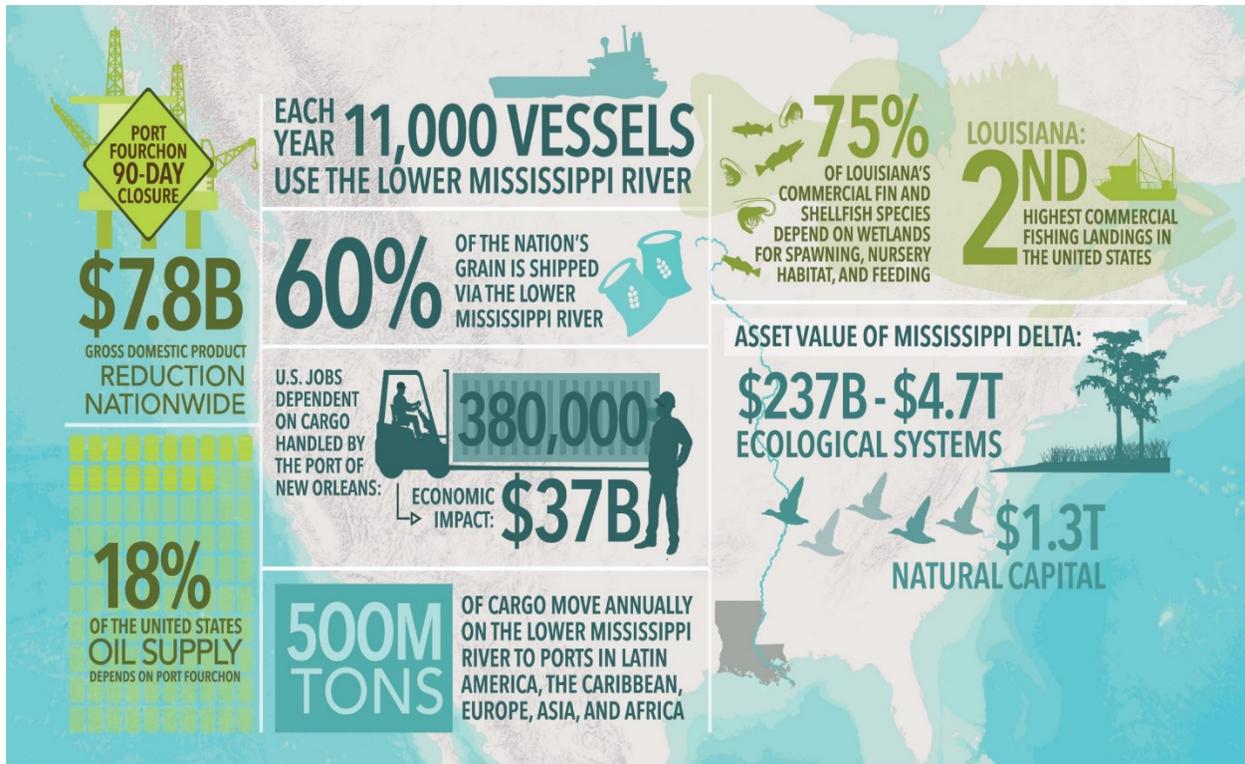
Implementing coastal restoration and protection projects on the scale required to effectively mitigate the risk we face along the Gulf Coast and provide the foundation for future sustainability is extremely difficult, and GOMESA is an indispensable tool in that fight.

Madam Chairman, increasing the GOMESA revenues to be shared with the Gulf Coast is crucially important if Louisiana is to have the funds necessary to implement our ambitious plan to save our coast. This is the largest environmental restoration project in the nation and is likely to continue to be at least one of the largest for the next 50 years. Clearly, our coastal loss problem has been exacerbated by the activities across our coast that are necessary to support the federal offshore mineral development activity and the infrastructure needed to bring federal OCS oil and gas ashore. In addition to the sharing precedent created by the Mineral Lands Leasing Act of 1920, the federal government, we believe, has a responsibility to help us mitigate the damage to our state created by the federal mineral development occurring off our coast. We have no choice but to be a platform for this federal activity and we, of course, cannot tax the federal oil and gas that moves through our state in interstate commerce. Sharing a larger portion of the federal revenue derived from this activity off our coast will allow us to mitigate the onshore effects of that activity. Because of the restrictions in GOMESA, disbursements to Gulf States are about 5% of total federal OCS revenues compared to the 50% that inland states operating under the Minerals Leasing Act receive. We do not begrudge these states for those revenues or seek to reduce what they receive, but we do believe the contributions of the Gulf of Mexico and Gulf Producing States warrant the same or similar treatment by the federal government. Madam Chairman, I would like to draw your attention and the attention of the Committee to the graph that is attachment 2 of my testimony that shows the huge disparity in revenue sharing between the inland states and the gulf states.

Counties and parishes along the Gulf of Mexico that benefit from GOMESA have a population of 9.2 million people according to 2016 estimates of the Census Bureau.^v Our coast is also home to vast energy and ecological resources and serves the entire nation as a crucial pathway for trade and commerce. The four gulf states that are adjacent to federal OCS oil and gas development are home to ten of the top twenty ports in the nation including four of the top five. Our region is a major leader in oil and gas development and pipeline transportation producing approximately 17% of the domestic supply

of crude oil and 5% of total U.S. dry natural gas production. We host over half of the country's oil refineries and service more than 90% of the nation's federal offshore energy production.

The Gulf of Mexico is simultaneously a natural treasure that is home to 15.6 million acres of wetlands that are crucial for 97%, by weight, of commercially harvested fish and shellfish caught by U.S. fishermen in the Gulf of Mexico. Additionally, our wetlands serve as buffers against storm damage and sea level rise for communities, provide habitat for birds and wildlife, improve water quality, and support the tourism, hunting, and fishing sectors of all of our economies.



Through the enhancements to GOMESA provided in the COASTAL Act you can empower states to make investments to protect the people, economy, and natural environment of the Gulf Coast. Rather than being a top down approach to mitigating coastal risk, GOMESA enables Gulf States to implement projects in areas and ways that we see fit. We can build levees where the risk is highest, not just in the location of the last flood. We can fund nature-based defenses. And we can spend to elevate homes or repair critical infrastructure directly damaged by land loss. This is a funding stream that allows for the proactive mitigation of disaster risk and reduces the necessity, and far costlier injections of federal funds after a disaster.

America's economy is stronger and more energy-secure because of the resources on the Gulf of Mexico's Outer Continental Shelf (OCS). But without the communities and environments along the Gulf Coast these resources and the infrastructure that brings them to shore would be stranded. GOMESA is a funding stream that allows states on the Gulf Coast and counties and parishes to invest in their own resilience. A more equitable distribution of qualified OCS revenues, like those provided in the COASTAL Act, would allow the nation to continue to benefit from the energy resources off our coast while allowing us to address proactively a national crisis and looming liability through investments in the

restoration and fortification of coastal ecosystems and flood protection systems. In the end, the best way to protect America's energy resources is to restore and protect the coastlines that are home to those resources.

ENDNOTES

ⁱ Natural Resources Revenue Data. Revenues from federal offshore, offshore Gulf of Mexico, all commodities from Fiscal Years 2007 to 2016. <https://revenue.data.doi.gov/explore/revenue/>

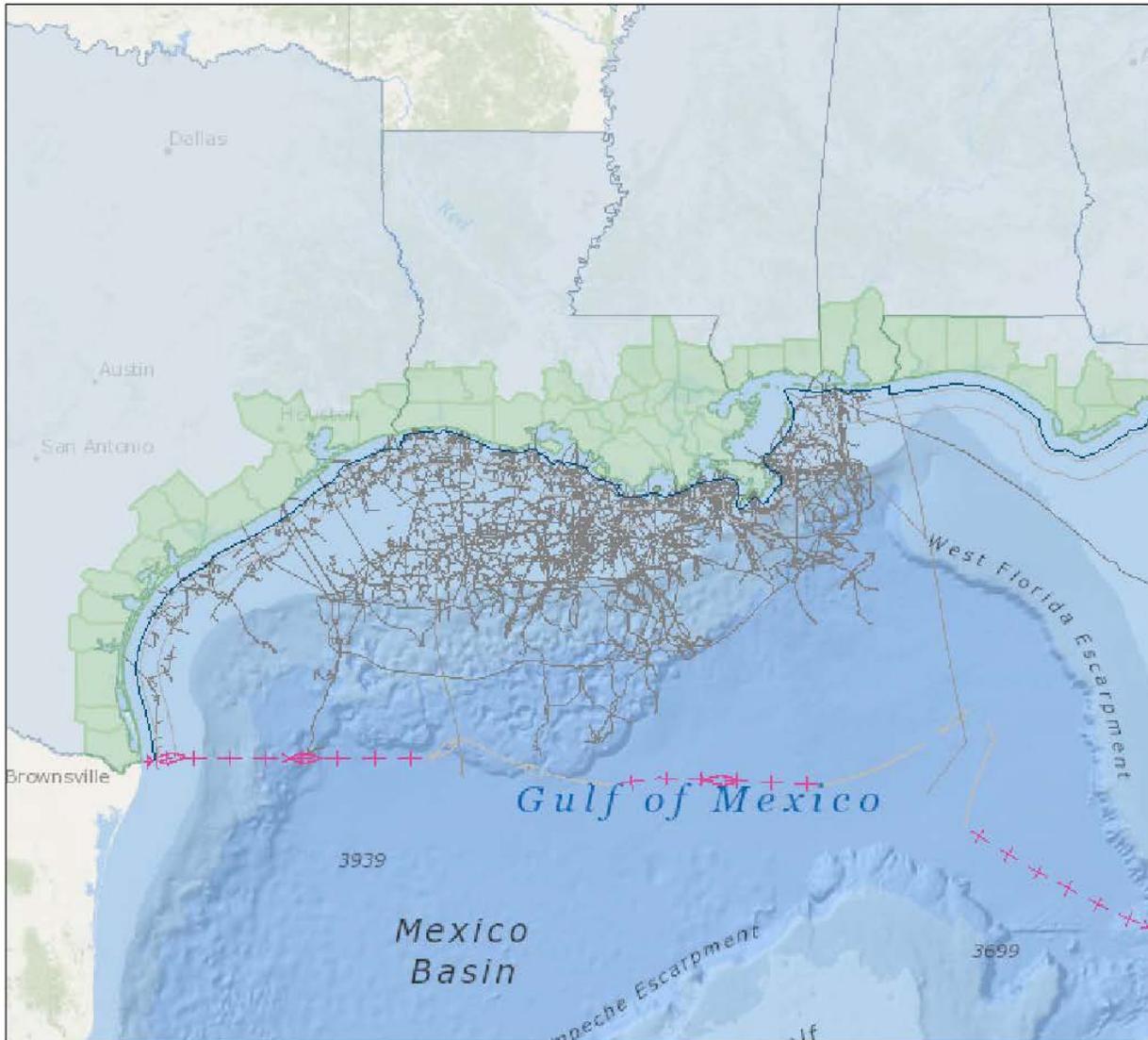
ⁱⁱ Natural Resources Revenue Data. Revenues from federal offshore, offshore Gulf of Mexico all commodities from Fiscal Years 2017 and 2018. <https://revenue.data.doi.gov/explore/revenue/>

ⁱⁱⁱ <https://glo.maps.arcgis.com/apps/Cascade/index.html?appid=fe70f162c30b4531ae01ce0f8c96a790>

^{iv} "Governor Ivey Announces Initial Approval of GOMESA Projects." Office of the Governor. May 17, 2019. <https://governor.alabama.gov/press-releases/governor-ivey-announces-initial-approval-of-gomesa-projects/>

^v <https://www.census.gov/library/stories/2018/08/coastal-county-population-rises.html>

Marine Cadastre National Viewer | Pipeline Density Comparison (Retrieved 7/18/19)

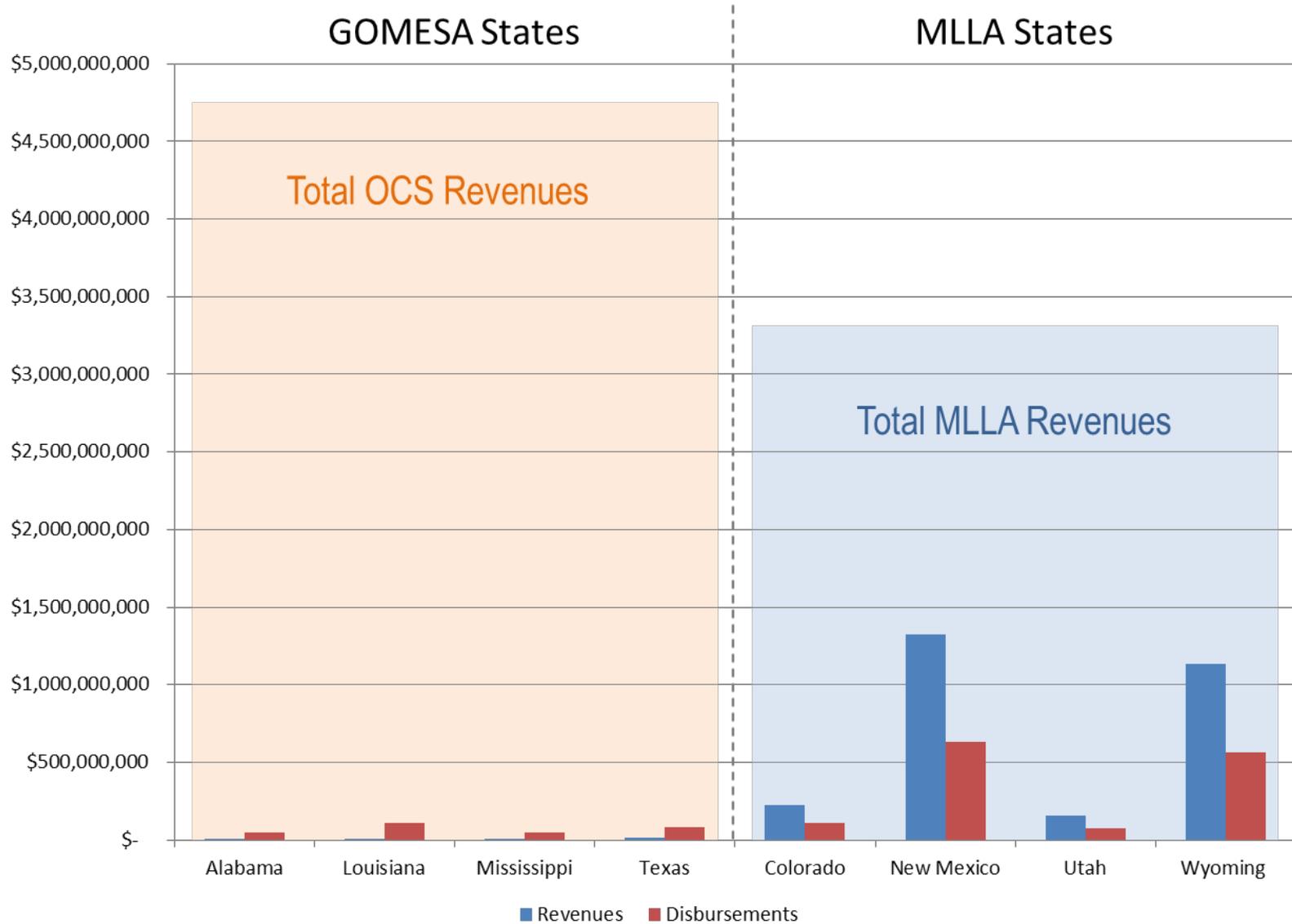


MAP LEGEND

- OCS Oil & Gas Pipelines
-
- 24NM Contiguous Zone
- Contiguous Zone
- 12NM Territorial Sea
- Territorial Sea
- Submerged Lands Act Boundary
- .
- Coastal Counties
-
- Coastal States
-
- BOEM OCS Administrative Boundaries
-
- 200NM EEZ and Maritime Boundaries
- ⊗ US EEZ
- + Int'l Maritime Boundary
- ⊗ Int'l Maritime Boundary N' EEZ
- Eastern Special Area
- Territorial Sea

Federal Mineral Revenue Sharing

FY 2018



NOTE: The data used in this graph is from the web site of the Office of Natural Resources Revenue (ONNR) of the Department of the Interior. The Gulf of Mexico revenue is the total revenue derived from federal oil and gas development off the coasts of the GOMESA states. Individual state data is not provided on the ONNR web site. MLLA state revenue is presented by state on the ONNR web site.

July 12, 2019