LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 305** HLS 24RS 431
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: March 19, 2024 6:22 PM
Author: ORGERON
Dept./Agy.: CPRA/Department of Energy & Natural Resources
Subject: Includes alternative energy in the Coastal OCS dedication
Analyst: Benjamin Vincent

COASTAL RES/COASTAL ZONE EG SEE FISC NOTE SD RV See Note

Provides relative to the disposition of funds derived from alternative energy production in the coastal area

Current law dedicates all federal revenue generated from the Outer Continental Shelf (OCS) from oil and gas activity to the Coastal Protection and Restoration Fund and specifies permissible uses of monies from the fund. Current law establishes criteria for wind leases, and directs 25% of any funds from wind operating agreements to the Department of Energy and Natural Resources (DENR), and 75% to the state general fund.
Proposed law directs all revenue generated on state lands and water bottoms located in the coastal area from alternative or renewable energy production or sources, including wind operating agreements, to the Coastal Protection and Restoration Fund to be used for similar purposes. Proposed law directs any federal revenue generated in the OCS by alternative energy to the same dedication as OCS mineral revenue, which is the Coastal Protection and Restoration Fund.
Contingent upon voter approval of HB 300 of 2024 Regular Session on 11/5/24.

EXPENDITURES	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**5 -YEAR TOTAL**
State Gen. Fd.	**DECREASE**	**DECREASE**	**DECREASE**	**DECREASE**	**DECREASE**	
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	**INCREASE**	**INCREASE**	**INCREASE**	**INCREASE**	**INCREASE**	
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total						

EXPENDITURE EXPLANATION
There is no anticipated direct material effect on governmental expenditures as a result of this measure. DENR reports a potential need for additional resources should alternative energy projects increase. The bill directs some operational funds away from DENR and does not identify funding for any additional administrative expenses.

REVENUE EXPLANATION
The bill is the statutory companion to the proposed Constitutional amendment in HB 300 seeking to dedicate federal revenue from OCS alternative energy to the Coastal Protection and Restoration Fund (CPRF), in the same manner that certain oil and gas revenues are currently dedicated to the fund. However, dedication of funds from alternative energy generation within local jurisdictions is not considered in the bill.

In a process analogous to oil and gas royalty payments, proposed law directs all lease and operating agreement revenue from various types of alternative energy generated on state lands and water bottoms to the Coastal Protection and Restoration Fund. Alternative energy types in proposed law include but are not limited to wind, solar, tidal, wave and geothermal energy. It is not clear whether any component of carbon sequestration fits within proposed law's definitions.

Revenue generated from wind energy is currently dedicated at 25% to the Mineral and Energy Board (Mineral and Energy Operations Fund) and 75% to the state general fund. Proposed law directs 100% of such revenues to the CPRF. DENR reports that this bill will redirect about $45,000 annually from their operations to CPRF based on the one lease currently in place (another is pending). As such, about $180,000 annually will be redirected from the SGF to the CPRF. As the wind project becomes operational and any other wind projects enter leases or begin production on state lands in the coastal area, 25% of those funds would be redirected from DENR to CPRF and 75% from the SGF to CPRF.

No current federal authorization exists to distribute alternative energy revenue to states, including any potential revenue from the first offshore wind lease sale in federal waters of the Gulf of Mexico, which is effective as of November 2023 and covers approximately 102,480 acres. The LFO cannot identify current revenue generated in this manner, though when any prospective revenue agreements may be finalized, the LFO assumes the funds would flow to the CPRF instead of the SGF.

For informational purposes, royalty payments as considered in the state's revenue forecast explicit to mineral leases are constitutional, and local governments receive 10% of royalties generated within their jurisdictions. In the bill, the state payments for alternative energy do not include a 10% local distribution.

Senate Dual Referral Rules
- [ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}
- [ ] 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}

House
- [ ] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
- [ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Deborah Vivien
Chief Economist