

# NOW

BGR's Spotlight on Local Government Issues

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## Safeguard Coastal Funds, Safeguard Louisiana's Future

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In addressing Louisiana's fiscal crisis, state lawmakers are rightly combing through the treasury's nearly 400 special funds in search of revenue to offset a projected \$750 million budget deficit. The Legislature, which recently raised taxes, has an obligation to the public to deploy existing revenues optimally.

Unfortunately, some proposals for redirecting revenues threaten the funding for coastal protection and restoration that is essential to south Louisiana's long-term viability. Lawmakers have filed several bills that could reduce coastal funding or loosen constitutional protections to increase the amount of coastal funding that can be used for other purposes.

Most of the bills concern allocations of the state's mineral revenues, primarily severance taxes on oil and natural gas. Currently, a portion of those revenues goes to parishes where the oil and gas was extracted. The rest goes to the state's general fund and special funds as provided by law. The constitution requires that up to \$25 million go into the Coastal Protection and Restoration Fund (Coastal Fund) to pay for projects in the state's master plan for restoring the coast.<sup>1</sup> The bills propose to amend the constitution in ways that could reduce the allocation to the Coastal Fund. In addition, one bill (HB 584) would double the amount that can be diverted from the fund to offset a general fund deficit. Another (HB 512) would eliminate the Coastal Fund altogether.

To the extent that the bills could reduce funding for the coast, they are misguided. Louisi-

ana's vanishing coast presents an undeniable crisis that must be addressed using all available resources. The state's coastal master plan projects that, if nothing is done, in the next half century Louisiana will lose 1,750 square miles of land, and annual damage from flooding will increase tenfold.<sup>2</sup> The widely praised plan calls for spending at least \$50 billion on restoration efforts over the next 50 years. However, the plan is far from fully funded, and the Coastal Fund represents a critical state commitment to addressing the problem.

Diverting coastal dollars to other purposes would send a potentially costly message to the rest of the country. It would convey a lack of commitment from Louisiana to restoring its coast. This could jeopardize future federal funding that will be critical to executing the master plan.

Demonstrating a clear commitment to the coast is particularly important in light of President Obama's proposal to reverse the federal commitment to restoring Louisiana's coast under the 2006 Gulf of Mexico Energy Security Act (GOMESA). The act sets aside a portion of oil and gas royalties generated off Louisiana's coast for the restoration of that same coast. Louisiana is projected to receive \$176 million a year starting in 2017 and is counting on these funds for coastal work critical to the state's future. But the president's 2017 budget proposes redistributing the revenue to other purposes.

Coastal protection and restoration advocates point out that offshore energy exploration and extraction activities have played a significant role in Louisiana's coastal erosion. They say the entire country benefits from energy resources that pass through Louisiana, but Louisiana's coastline bears the brunt of related activities. Thus, they assert it is incumbent upon the federal government to set aside a significant share of the offshore oil and gas royalties for coastal protection and restoration efforts.

That's a strong argument for keeping the

GOMESA revenue focused on the coast. However, the Legislature could weaken the case for doing so if any of the bills to lift protections on Louisiana's coastal funding become law. If Louisiana backs off its commitment to restoring its own coast, it is harder to argue against the federal government renegeing on its commitment.

So far, the Legislature has taken action on just one of the bills, HB 584. It proposes a constitutional amendment that would double from 5% to 10% the amount the Legislature can take from all constitutionally protected funds, including the Coastal Fund, to offset a budget deficit. The bill made it out of committee and could come up for a vote of the full House at any time. The proposed constitutional amendment needs the approval of two-thirds of legislators in each chamber and a majority of voters statewide to take effect.

State voters demonstrated their commitment to restoring Louisiana's coast by overwhelmingly approving a 2006 constitutional amendment to dedicate the state's anticipated GOMESA royalties to the Coastal Fund.<sup>3</sup> The Legislature should not seek to chip away at the constitutional protections for coastal funding by increasing the amount that can be diverted from the Coastal Fund.

There is a real danger that future legislators will exercise any expanded authority to pull revenue from the Coastal Fund. Just last year, the Legislature used the current provision allowing 5% withdrawals from protected funds to take \$6.5 million from the Coastal Fund to help offset a general fund deficit.

If the proposed constitutional amendment moves forward, it should specifically exempt the Coastal Fund from any such withdrawals. To do otherwise would undermine voters' previously expressed commitment to protect the Coastal Fund and send the wrong message nationally.

Some of the other bills would reallocate min-

eral revenues in ways that could reduce funding for the coast, though the precise impact is not clear in every case. Lawmakers should carefully review each bill to determine how it would affect the Coastal Fund. At a minimum, any bill that changes the allocation of mineral revenues should contain a clause explicitly prohibiting a reduction in the current dedications to the Coastal Fund.

The state is facing a major financial bind that demands a comprehensive reassessment of dedicated revenues. But chipping away at a state budget shortfall in a manner that could threaten south Louisiana's long-term viability would be a short-sighted fiscal strategy.

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## ENDNOTES

1 La. Const., Art. VII, Sec. 10.2. The allocation to the Coastal Fund can be less than \$25 million if mineral revenues do not exceed a certain threshold.

2 Coastal Protection and Restoration Authority, *Louisiana's Comprehensive Master Plan for a Sustainable Coast*, pp. 14-16.

3 The amendment passed with 82% of the vote on September 30, 2006, according to the Legislature's website. <http://legis.la.gov/lss/Constitution%20Amendments%20Table.pdf>.