



# PARISH OF JEFFERSON

## OFFICE OF THE PRESIDENT

JOHN F. YOUNG, JR.  
PARISH PRESIDENT

May 30, 2014

Office of Natural Resources Revenue  
U.S. Department of the Interior  
P. O. Box 25165, MS 61040A  
Denver, Colorado 80225-0165

Attention: Mr. Armand Southall  
Regulatory Specialist

**RE: 1012-AA11**  
**GOMESA Phase II Proposed Rule**  
**ONRR-2011-0024**

Dear Mr. Southall:

Jefferson Parish has reviewed the proposed rule issued by the U.S. Department of Interior (DOI) regarding implementation of Phase II of the Gulf of Mexico Energy Security Act (GOMESA) of 2006, as published in the Federal Register Volume 79, Number 61 on March 31, 2014, and offers the following comments:

The proposed rule which sets forth the Office of Natural Resources Revenue (ONRR) formulas and methodologies for calculating and allocating revenues for fiscal year 2017 and beyond, significantly changes the definition of “Qualified Outer Continental Shelf Revenues” from the GOMESA definition and in the process excludes revenues that should rightly be shared with the states and coastal political subdivisions (CPS). GOMESA contained two very specific exclusions:

Section 102(9)(B) EXCLUSIONS.—The term “qualified Outer Continental Shelf revenues” does not include—

(i) revenues from the forfeiture of a bond or other surety securing obligations other than royalties, civil penalties, or royalties taken by the Secretary in-kind and not sold; or

(ii) revenues generated from leases subject to section 8(g) of the Outer Continental Shelf Lands Act (43 U.S.C. 1337(g)).

The proposed rule defining “qualified OCS revenues (Phase II)” expands those exclusions far beyond the intent of the GOMESA (see Table 1 below), which was to limit double sharing in the section 8(g) area located within three miles of the seaward boundary of a coastal state. Allowing

additional exclusions through appropriations circumvents the revenue sharing established by GOMESA and could theoretically result in the entire state portion being diverted for other than mitigation of on-shore impacts of Outer Continental Shelf (OCS) exploration and production.

TABLE 1: Comparison of Exclusions as Expanded Through Rule Making

<b>GOMESA DEFINITION OF "QUALIFIED OUTER CONTINENTAL SHELF REVENUE"</b>	<b>PROPOSED RULE DEFINITION OF "QUALIFIED OUTER CONTINENTAL SHELF REVENUE (PHASE II)"</b>
(B) EXCLUSIONS.—The term "qualified outer Continental Shelf revenues" does not include—	(2) Exclusions from the term "Qualified OCS revenues (Phase II)" are:
(i) revenues from the forfeiture of a bond or other surety securing obligations other than royalties,	(i) Revenues from the forfeiture of a bond or other surety instrument securing obligations other than royalties;
civil penalties,	(ii) Civil penalties;
or royalties taken by the Secretary in-kind and not sold; or	(iii) Royalties "taken by the Secretary in-kind and not sold." (Pub. L. 109-432, Dec 20, 2006);
(ii) revenues generated from leases subject to section 8(g) of the Outer Continental Shelf Lands Act (43 U.S.C. 1337(g)).	(iv) Revenues generated from leases subject to section 8(g) of the Outer Continental Shelf Lands Act (43 U.S.C. 1337(g));
	(v) User fees; and
	(vi) Lease revenues explicitly excluded from GOMESA revenue sharing by statute or appropriations law.

Of utmost concern is the addition of item (vi) to the proposed rule, which could result in funds being skimmed off the top for other purposes, prior to States and LPSs being allocated their percentages. This is problematic, and contrary to the intent of GOMESA, as appropriations and statutes could result in less funding to States and LPSs without adequate opportunity to comment.

While it is understandable that ONRR rules be consistent with the GOMESA legislation, Jefferson Parish is very concerned that the arbitrary annual cap of five hundred million dollars (\$500,000,000.00) per year is counter to the goal of providing states and local political subdivisions their proportionate share of revenues to fund projects that mitigate the impacts attributed OCS exploration and development. Conversely, states keep fifty percent (50%) of all oil and gas revenues generated from on-shore drilling, with no instituted cap, while Gulf producing states including Louisiana receive roughly thirty percent (30%) of qualified OCS revenues, while providing the bulk of required infrastructure costs associated with making such

off-shore exploration and production possible. Similarly, coastal political subdivisions substantially contribute to those infrastructure costs, and will receive diminished portions of the state's share of revenues based on the allocation formulas that are predicated on inverse distances to qualified leases, length of coastline and population.

Another major concern to Jefferson Parish is that portion of the allocation formula based upon proportionate coastline lengths for CPS in Louisiana. Where Jefferson Parish is concerned, the end result is an inequitable anomaly for this parish resulting from Jefferson Parish having a long and narrow shape. That formulation, which is also the basis for the Coastal Impact Assistance Program (CIAP), states that "Of the qualified OCS revenues allocated to a Gulf producing State's CPS, we will allocate twenty-five percent (25%) based on the proportion that each CPS's miles of coastline bears to the total miles of coastline across all CPSs in the State. However, for the State of Louisiana, we will deem CPSs without a coastline to each have a coastline one-third the average length of the coastline of all CPSs within Louisiana that have a coastline." Applied, parishes without coastlines receive greater percentages than Jefferson Parish, which actually has a coastline. It is imperative that this anomaly be corrected in the proposed rule, by allowing Jefferson Parish coastline to be deemed one-third the average length of the coastline of all CPSs within Louisiana, as surely it is not the intent that parishes without coastlines receive more for this parameter than those with coastlines.

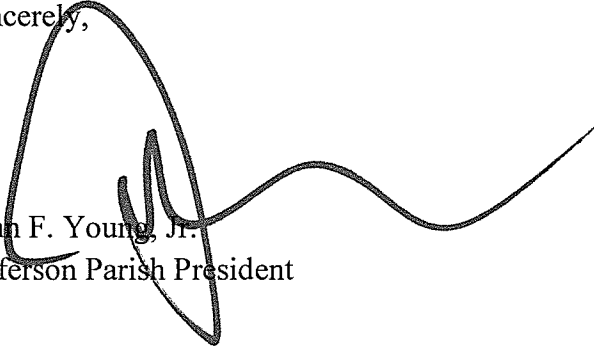
Jefferson Parish has traditionally supported OCS exploration and development through its onshore businesses and use of its estuary and navigable waterways. Grand Isle, which fronts on the Gulf of Mexico in lower Jefferson Parish, is Louisiana's only inhabited Barrier Island and, thus the site of much historic and current OCS support activities. Similarly, federally maintained navigation routes within Jefferson Parish that are and have been essential to OCS activities include the Gulf Intracoastal Waterway (GIWW), the Barataria Bay Waterway (BBW) and the Bayou Segnette Waterway (BSW). Additionally, Jefferson Parish's Harvey Locks provide access to the GIWW from the Mississippi River which bisects the Parish. Construction of these waterways significantly impacted vegetated wetlands within the Parish, contributing to the challenges the Parish faces regarding hurricane protection and flood control projects. The March 1994, U. S. Department of Interior report to Congress, titled *The Impact of Federal Programs on Wetlands, Volume II, Chapter 8: Coastal Louisiana*, attests: "Canals widen over time converting wetlands to open water. It appears that boat traffic hastens canal widening; widening occurs less frequently with pipeline canals. The doubling rate for navigation canals averages from 5 to 35 years; the annual enlargement of the older canals now approximates the area of newly constructed canals. Hence, even if no new canals were built, those in existence will exert a continuing influence." Therefore, significant funds are required to offset these impacts and costs to Jefferson Parish.

Jefferson Parish appreciates the opportunity to comment on the GOMESA Phase II Proposed Rule, and looks forward to implementing much needed restoration projects with the revenue

sharing provided by GOMESA, as this funding will significantly assist the Parish in meeting its coastal protection challenges.

We look forward to working with the ONNR as we move forward with implementation of GOMESA Phase II.

Sincerely,

A handwritten signature in black ink, appearing to read "John F. Young, Jr.", with a long, sweeping horizontal flourish extending to the right.

John F. Young, Jr.  
Jefferson Parish President