

Department of Planning and Budget 2007 Fiscal Impact Statement

1. Bill Number SB1122

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron Cuccinelli

3. Committee Finance

4. Title Offshore oil and gas royalties.

5. Summary/Purpose: This bill establishes the Virginia Offshore Royalties Fund (the Fund), in which shall be deposited all royalty payments received by the Commonwealth from petroleum and natural gas offshore exploration and activities. Interest earned on moneys in the Fund shall remain in the Fund and be credited to it. Any moneys in the Fund, including interest therein, shall be divided equally, with one-half going to the Transportation Trust Fund, and one-half disbursed equally among legal residents of the Commonwealth.

6. Fiscal Impact Estimates are: Preliminary, see Item 8 (below).

7. Budget amendment necessary: No.

8. Fiscal implications: The Department of Mines, Minerals and Energy (DMME) anticipates that 2011 is the earliest there could be a fiscal impact as a result of this bill. DMME lists five requirements that must be fulfilled in order for any revenue to come to Virginia: (i) the Congressional moratorium on drilling in the coastal areas must be lifted, (ii) the Presidential withdrawal of offshore areas along the Atlantic Coast must be cancelled, (iii) federal authority must be given for states to share revenue from offshore drilling, (iv) Virginia must remain in the federal Minerals Management Service 2007-2012 offshore oil and gas leasing plan, a plan that currently has a draft to propose one lease in 2011 (permissible for drilling only if requirements i-iii are met), and (v) companies must be interested in, and bid for, this drilling opportunity. DMME predicts that, should these contingencies take place, the amount of revenue resulting is indeterminate. Fiscal estimates on the cost of this bill are preliminary, but assumed negligible.

This bill requires that the Department of the Treasury disburse one-half of the moneys in the Fund equally among legal residents of the Commonwealth. Treasury estimates that issuing checks to each legal resident of the Commonwealth to fulfill this obligation will cost approximately \$4.2 million. This total cost includes \$3.2 million for postage fees, check stock, and the staff needed to issue checks to the 7.6 million Virginia citizens, \$30,000 in system development and maintenance costs to build the database needed for shipping checks, and \$1.0 million for new machinery that would be needed as this bill would require that Treasury more than double their current annual output of printed checks.

9. Specific agency or political subdivisions affected: Department of Mines, Minerals and Energy, Department of Transportation-Transportation Trust Fund, Department of the Treasury.

10. Technical amendment necessary: No.

11. Other comments: In 2006, Congress defeated HR 4761, the Deep Ocean Energy Resources Act of 2006. This bill, had it become law, would have allowed coastal states to opt-out of the Presidential moratorium as well as allow states to share in the revenues from offshore drilling.

Date: 1/16/07 / aek

Document: G:\2007 Fiscal Impact Statements\SB1122.Doc aek

cc: Secretary of Commerce and Trade