

Department of Planning and Budget 2015 Fiscal Impact Statement

1. Bill Number: SB1462

House of Origin Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Wagner

3. Committee: Commerce and Labor

4. Title: Virginia Offshore Energy Development Authority.

5. Summary: Converts the Virginia Offshore Wind Development Authority to the Virginia Offshore Energy Development Authority and broadens its focus to include facilitating, coordinating, and supporting the development of the offshore oil and gas industry and offshore oil and gas projects. The bill increases the number of Authority members from nine to 18. The bill requires that nine of the Authority members have a background or experience in offshore wind energy issues and the other nine have a background or experience in offshore oil and gas issues.

6. Budget Amendment Necessary: Indeterminate.

7. Fiscal Impact Estimates: Preliminary. See item 8, below.

8. Fiscal Implications: The fiscal impact to the Department of Mines, Minerals, and Energy (DMME) is indeterminate. The bill would convert the Virginia Offshore Wind Development Authority (VOWDA) to the Virginia Offshore Energy Development Authority (VOEDA). This would broaden the scope of the authority to include offshore oil and gas as well as offshore wind development.

A total of \$500,000 in FY 2013 and \$1.0 million in both FY 2014 and FY 2015 was provided to DMME to assist with the development of offshore wind resources in the Virginia Wind Energy Area. The introduced budget bill (HB1400/SB800) reduced funding by \$50,000 to \$950,000 in FY 2015 and does not include funding in FY 2016. This funding has been used to contract with private companies to conduct research on the Virginia Wind Energy Area and to support DMME's efforts related to the Commonwealth's research lease in the wind energy area. No funding was used to support VOWDA. Chapter 3, 2014 Acts of Assembly Special Session I, includes \$250,000 to fund a study Virginia's readiness for offshore oil and gas exploration and production, to be completed by April 15, 2015. No other funding has been dedicated to offshore oil and gas.

Currently, the federal government holds the right to lease lands off the coast of the U.S. in the Outer Continental Shelf (OCS) for offshore energy development. The U.S. Department of Interior (DOI) is the federal agency responsible for development in the OCS. The DOI manages offshore energy development as part of a five-year leasing plan. The Draft

Proposed Program for the 2017-2022 OCS leasing plan, released January 29, 2015, includes a proposal to consider offshore oil and gas development in the Atlantic Ocean, including off the coast of Virginia.

Currently, the Director of DMME serves as the director of the VOWDA and the staff of DMME serves as staff for VOWDA. As a result, the Director of DMME would serve as the director of VOEDA and the staff of DMME would serve as staff to VOEDA. No funding has been appropriated to VOWDA since its establishment in 2010. Costs associated with VOWDA meetings and DMME staff support for the Authority have been absorbed within DMME's budget.

After FY 2015, there are no currently appropriated or proposed funds for either offshore wind energy or offshore oil and gas development. As a result, it is uncertain the types or level of activities which will be undertaken by the expanded Authority. Virginia's inclusion in the 2017-2022 OCS leasing plan could increase the activities undertaken by the Authority, which could increase the workload to DMME. However, the discontinuation of the wind energy funding could potentially reduce the workload to DMME. It is not possible to determine the fiscal impact to DMME. At this point in time, it is unclear if the expansion in scope of the Authority will have an impact on DMME.

The bill would increase the number of members of the Authority from nine to 18. It is anticipated that any additional costs that may result from the increased number of authority members would be minimal and could be absorbed within existing resources by the Department of Mines, Minerals, and Energy.

9. Specific Agency or Political Subdivisions Affected: Department of Mines, Minerals, and Energy.

10. Technical Amendment Necessary: No.

11. Other Comments: None.