

Department of Planning and Budget 2016 Fiscal Impact Statement

1. Bill Number: SB298

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

2. Patron: DeSteph

3. Committee: Agriculture, Conservation and Natural Resources

4. Title: Increasing rents for certain planting grounds.

5. Summary: Increases the annual rent from \$1.50 per acre or portion thereof to \$5,000 per acre or portion thereof for leasing planting grounds that are within 1,000 feet of mean low water of shoreline residences.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Indeterminate. See Item 8, below.

8. Fiscal Implications: The Habitat Management Division in the Marine Resources Commission is responsible for surveying and mapping subaqueous ground for public and private shellfish cultivation, leasing private shellfish grounds, and maintaining oyster ground lease records. The fiscal impact for the Marine Resources Commission is indeterminate as specific data on the number of acres of leased planting grounds that are within 1,000 feet of shoreline residences is unavailable. Therefore, for this analysis and to depict the greatest potential impact, it is assumed that the new rate will apply to all of the leased oyster ground.

Currently, the Commonwealth has 122,000 acres of leased oyster ground. Leases run for 10 years and the leaseholders pay rent on an annual basis. Non-payment of rent for a particular lease in any year results in the reversion of those leased grounds to the Commonwealth. The revenue generated from leased oyster ground to the general fund is estimated at \$183,000 each year (122,000 acres times the current lease rate of \$1.50 per acre). Leaseholders currently pay \$15 per acre over a ten year lease (\$1.50 per acre times 10 years). Under this bill, leaseholders will pay \$50,000 per acre over a ten year lease (\$5,000 per acre times 10 years).

If all 122,000 acres remain under lease, the estimated revenue from this bill to the general fund could be \$610 million (122,000 acres times the new lease rate of \$5,000 per acre) resulting in net new revenue of \$609.8 million (\$610 million less \$183,000).

The Marine Resources Commission (MRC) does not anticipate that all leaseholders will maintain their leases under this bill. MRC anticipates that at least 75 percent and more of current leaseholders will give up their leased oyster ground due to the increase in annual rent per acre. The fiscal impact to the Marine Resources Commission is indeterminate as the Habitat

Management Division must work with leaseholders, update lease records, and designate released ground as unassigned.

9. Specific Agency or Political Subdivisions Affected: Marine Resources Commission.

10. Technical Amendment Necessary: No.

11. Other Comments: None.