

The Gulf Coast Oil Spill and the RESTORE Act

Background

On April 20, 2010, the Deepwater Horizon oil rig located off Louisiana's coast exploded, killing 11 workers and beginning what would quickly become one of the worst oil spills in history. The well, operated by BP, was finally sealed three months later, but not until 210 million gallons of oil and gas, along with large quantities of chemical dispersants, entered the Gulf of Mexico.

In response to the spill's devastating effects, a bipartisan group of Congressional leaders formulated a law that would allocate a majority of the fines and penalties levied against Deepwater Horizon's operators to the areas most heavily impacted. As a result, the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act (RESTORE Act) was signed into law on July 6, 2012.¹

The RESTORE Act allocates 80 percent of the fines paid pursuant to the Deepwater Horizon spill to the Gulf Coast Restoration Trust Fund (the "Fund"). The amount of fines to be paid, which could total as high as \$14 billion, remain in dispute as the final phase of the BP trial is set to begin on January 20, 2015.² Once the total amount is ascertained, the monies will be spent in five different ways:³

1. The **direct component** – 35% is equally divided among the five Gulf Coast states for ecosystem restoration, economic development, and tourism protection;
2. The **comprehensive plan component** – 30% will be spent to develop and implement a comprehensive plan for Gulf Coast redevelopment under the direction of the Gulf Coast Ecosystem Restoration Council, which is

ISSUE SNAPSHOT

Alabama's Gulf Coast communities stand to receive hundreds of millions of dollars in RESTORE Act funds as a result of the BP oil spill.

Gulf Coast tourism in Alabama adds over \$4 billion a year to the economy, while Alabama's Gulf Coast fisheries and their impacts add over \$1.5 billion annually.

Leaders must make this process as open and transparent as possible and select the programs and projects that will bring long-lasting improvement to the Gulf Coast.

- made up of the Gulf Coast governors and federal government officials;
3. The **spill impact component** – 30% will go to the Gulf Coast regions affected most by the spill, after approval by the Gulf Coast Ecosystem Restoration Council, as reflected in a formula that takes into account proximity to the well and coastal population;
4. **NOAA Restore Act science program** – 2.5% will be used by the National Oceanic and Atmospheric Administration to establish a scientific observation and monitoring program;
5. **Centers of Excellence program** – the remaining 2.5% will be administrated by the U.S. Treasury Department to research a variety of environmental and engineering matters relating to the Gulf Coast.

The Alabama Gulf Coast Recovery Council (the "Council") will have most of the control over Alabama's

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share of the **direct component** and the **spill impact component**. The ten member Council is made up of elected officials and leaders from Alabama's Gulf Coast, chaired by Alabama's Governor Robert Bentley.

Policy Consideration

Tourism is a critical part of the Gulf Coast economy and the prospect of oil-covered beaches kept many vacationers away from the Gulf Coast in 2010. Since then, tourism has flourished. Beachgoers spent \$3.2 billion in Baldwin County and \$916 million in Mobile County in 2013.⁴ This represents nearly 40 percent of all tourism dollars spent annually in Alabama.

Alabama's fishing industry is also extremely important to the State's overall economic well-being, as over 11,000 jobs are directly related to Gulf Coast fisheries.⁵ Those jobs create approximately \$500 million in direct sales and add another \$250 million in indirect impacts. Recreational fishing and its impacts are also a major driver to Alabama's economy. Another 8,177 jobs and approximately \$800 million in impacts are derived from recreational fishing and equipment sales on Alabama's Gulf Coast.⁶

The Council also has the ability to solve other issues regarding the navigability of Mobile Bay and its tributaries; Mobile's unused cruise terminal; and improving barrier islands and beaches in Gulf Shores or Dauphin Island, just to name a few.

Recommendation

The RESTORE Act will infuse large amounts of money in the nearly 700 miles of Alabama's coastal and tidal shorelines which demands a great amount of responsibility and accountability from the Council. Expenditures should focus on initiatives to improve fisheries, promote tourism, restore wetlands and barrier islands and protect fragile ecosystems. The Council should prioritize getting the most return on their investment for a long-lasting effect. The Council must also not burden taxpayers with projects and developments

that would require continued funding after the depletion of the RESTORE Act Fund.

The Council should ensure that all projects directly link to areas affected by the oil spill, in order to keep special interests unrelated to the oil spill from profiting from RESTORE Act monies. The Council's deliberations and reasons for selection of certain projects over others should be as transparent and public as possible. One way to ensure transparency is alabamacoastalrestoration.org, a website set up by the State which allows the public to submit project proposals and review ones already submitted.

As with any large scale project, Alabama's citizens should be wary of governmental officials with access to and control of potentially hundreds of millions of dollars. Alabama's delicately-balanced Gulf Coast economy demands a careful approach and leaders must not be swayed by anything other than what is in the best interests for the State.

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¹ MAP-21, H.R. 4348, 112th Cong. §§1601-08 (2012). *Available at* <http://www.gpo.gov/fdsys/pkg/BILLS-112hr4348enr/pdf/BILLS-112hr4348enr.pdf>.

² Jennifer Larino, *BP oil spill trial's final phase to determine fines will stretch into 2015*, THE TIMES-PICAYUNE, (Mar. 21, 2014), http://www.nola.com/business/index.ssf/2014/03/bp_oil_spill_trial_final_phase.html.

³ RESTORE ACT, U.S. TREASURY DEPARTMENT, *available at* <http://www.treasury.gov/services/restore-act/Pages/default.aspx> (last updated Sept. 9, 2013).

⁴ Marc Anderson, *Baldwin County tops state with \$3.2 billion in tourism-related spending in 2013*, AL.COM, (Mar. 13, 2014), http://blog.al.com/live/2014/03/baldwin_county_tops_state_with.html#incart_river_default.

⁵ FISHERIES ECONOMIES OF THE UNITED STATES, 2011, U.S. DEPARTMENT OF COMMERCE, (Dec. 2012), *available at* <http://www.st.nmfs.noaa.gov/Assets/economics/documents/feus/2011/FEUS%202011-Revised.pdf>.

⁶ *Id.* at pgs. 122-23.