



**BOARD OF SUPERVISORS  
AGENDA LETTER**

**Agenda Number:**

**Clerk of the Board of Supervisors**  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

**Department Name:** CEO  
**Department No.:** 012  
**For Agenda Of:** October 6, 2009  
**Placement:** Administrative  
**Estimated Tme:**  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** Majority

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**TO:** Board of Supervisors  
**FROM:** Legislative Program Committee  
  
**Contact Info:** Terri Nisich, Assistant CEO, 568.3412  
**SUBJECT:** Assembly Bill 1536- Oil and Gas Leases

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**County Counsel Concurrence**

As to form: N/A

**Auditor-Controller Concurrence**

As to form: N/A

**Other Concurrence:** Select\_Other  
As to form: Select\_Concurrence

**Recommended Actions:**

Authorize the Chair to send a letter opposing Assembly Bill 1536 pertaining to oil and gas leases.

**Summary Text:**

On September 14, 2009, the County's Legislative Program Committee (Supervisor Carbajal, Supervisor Wolf, Auditor-Controller Geis, County Executive Officer Brown, and County Counsel Marshall) received an update on Assembly Bill (AB) 1536, introduced by Assemblymember Blakeslee, related to oil and gas leases. This bill was not adopted by the State Legislature prior to the legislative recess on September 12, 2009. However, as many outstanding pieces of legislation remain, the Legislature will reconvene to address budgetary items, legislation and other matters. It is possible that this piece of legislation will receive further consideration. Therefore, the Legislative Program Committee put forth a motion to bring this bill to the Board for consideration with a recommendation to oppose the bill. The motion carried 3-0-2 (Carbajal, Wolf and Marshall) with Geis and Brown absent.

Existing law currently authorizes the State Lands Commission to enter into a lease for the extraction of oil or gas from state-owned tide and submerged lands in the California Coastal Sanctuary if the commission determines that those oil and gas deposits are being drained by means of producing wells upon adjacent federal lands and if the lease is in the best interests of the State. As amended on September 10, 2009, AB1536 would:

- Create the Interim Resources Management Board, consisting of the Secretary of the Natural Resources Agency, the Secretary for Environmental Protection, and the Controller;
- Authorize said Board to consider a lease, lease application, or revised lease application filed with the State Lands Commission pursuant to that provision and subsequently rejected by the commission;

- Approve that lease if specified terms and conditions are met; including, but not limited to,
  - Lease, lease application or revised lease application was considered and rejected by the State Lands Commission prior to the effective date of AB 1536;
  - Lessee has existing offshore platform on adjacent federal lands from which the state oil or gas reserves will be accessed and has existing and operating pipelines and other infrastructure to transport and process the oil or gas;
  - Lease has a fixed termination date that is 14 years from the effective date of the lease;
  - Lessee is required to avoid, reduce or offset all direct greenhouse gas emissions from project operations under the lease;
  - Upon expiration of the lease, the lessee shall terminate all oil and gas production operations offshore California, if any, and remove all related onshore processing facilities, if any, that are owned, controlled, or operated by the lessee at the time the lessee accepted the lease, and shall clean up, restore, and donate not less than 3,900 acres of land for public use and conservation, including land on which the onshore processing facilities were located.
- Board shall remain in effect until January 1, 2011;
- Specifies appropriations from the annual royalty payments from the lease:
  - Beginning in fiscal year 2010-11, \$34,000,000 would be allocated to the Department of Conservation for purposes of making subvention payments under the Open Space Subvention Act of 1971 to eligible counties participating in the California Land Conservation Act of 1965 (Williamson Act subvention payment to local governments);
  - Beginning in fiscal year 2010-11, \$16,000,000 would be allocated to the Department of Parks and Recreation for the acquisition and operation of state parks along the coast;
- Requires a \$100,000,000 single prepaid royalty to the State Treasury. Of this amount, \$50,000,000 is appropriated for fiscal year 2009-10 to the State Department of Public Health for various programs.

**Background:**

On February 27, 2009, Assemblymember Blakeslee introduced Assembly Bill (AB) 1536 that would make non-substantive changes to the statute requiring the Public Utilities Commission to administer a self-generation incentive program for distributed generation resources. On September 2, 2009, AB 1536 was amended to allow for the creation of the Interim Resources Management Board and authorize said Board to consider a draft lease, lease application, or revised lease application filed with the State Lands Commission pursuant to that provision and subsequently rejected by the commission and approve the lease if specified terms and conditions are met.

On July 24, 2009, Assemblymember DeVore amended AB 23, the Budget Act of 2009, during budget deliberations underway in the Legislature. ABx4 23 enabled the creation of the Interim Resources Management Board to consider and approve leases previously considered by the State Lands Commission. This bill passed in the Senate, but not in the Assembly. The Administration included \$100 million in revenues from the Tranquillon Ridge project in the May Revised budget proposal.

Discussions at the Legislative Program Committee focused on the potential implications to process and the precedent for future lease approvals. While the County Board of Supervisors approved the PXP Tranquillon Ridge project, it did so within the parameters of the current process. The State Lands Commission denied PXP's application via a 2-1 vote on January 26, 2009. Inclusion of the project within the State budget and subsequent legislation seeks to create an alternative process. Such a process establishes an interim body to determine whether a lease already considered by the State Lands Commission merits reconsideration and possible approval.

Budgeted: Select\_Budgeted

**Fiscal Analysis:**

AB1536 requires leases approved by the Interim Resources Management Board to make a single prepaid royalty payment to the State Treasury of \$100 million as well as annual royalty payments. The bill further directs that specific appropriations be directed from the oil and gas revenues to:

- \$34 million to the counties participating in the Williamson Act programs (County loss of the subvention payments to local governments, which was vetoed in the State's adopted budget in late July is about \$600,000);
- \$16 million to Department of Parks and Recreation for the acquisition and operation of state parks along the coast (State parks located within the County's jurisdiction such as La Purisima Mission may be targeted for closure. This legislation does not explicitly cite which parks will receive the funding if the bill is enacted.)
- Up to \$50 million for various programs administered by the State Department of Public Health (Funding reductions to these programs have impacted some of the programs administered by the County. For example, County Public Health has estimated a funding reduction of approximately \$500,000 in HIV/AIDS programs.)

The restoration of funding for these programs would indirectly benefit the County. As a direct benefit, the County would receive 1% of the royalties negotiated between the lessee and the State and increased property tax revenues if AB1536 was signed into law.

**Staffing Impacts:**

**Legal Positions:**

**FTEs:**

**Special Instructions:**

If the Board authorizes the Chair to sign a letter of opposition, send a copy of the letter to the bill author, Assemblymember Blakeslee, with copies to Governor Schwarzenegger, Senate President pro Tem Darrell Steinberg, Speaker of the Assembly Karen Bass, Assemblymember Nava, Senator Strickland and Senator Maldonado.

**Attachments:**

1. Text of AB 1536

**Authored by:**

Terri Nisich, County Executive Office

**cc:**