

STUDY TITLE: Social and Economic Consequences of Onshore OCS Related Activities in Coastal Alabama

REPORT TITLE: Social and Economic Consequences of Onshore OCS Related Activities in Coastal Alabama: Final Baseline Report – Economic Baseline of the Alabama Coastal Region

CONTRACT NUMBER: 1435-01-CT-96-30829

SPONSORING OCS REGION: Gulf of Mexico

APPLICABLE PLANNING AREA: Central Gulf of Mexico

FISCAL YEARS OF PROJECT FUNDING: FY 1996-1997, FY 1997-1998, FY 1998-1999.

COMPLETION DATE OF REPORT: April 1999

PROJECT MANAGER: William W. Wade

COSTS: FY 96-97: \$135,910; FY 97-98: \$40, 232; FY 99-98: \$47,151;
CUMULATIVE PROJECT COSTS: \$223,293

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KEY WORDS: natural gas, tourism, fisheries, Alabama, Mobile OCS, Mobile County baseline, Alabama Trust Funds

BACKGROUND: Following the 1979 discovery of Norphlet gas in Mobile Bay during the early 1980s, the Coastal Alabama region experienced the emergence of a large offshore gas industry, which created thousands of jobs in Mobile County, Alabama, Louisiana, and Texas. This study is the first in a series of investigations analyzing the social and economic impact of the Coastal Alabama offshore gas industry on Gulf Coast states.

OBJECTIVES: Document the existing economic conditions in the coastal Alabama region and highlights industry sectors in Mobile and Baldwin Counties important to the region's economy.

DESCRIPTION: The coastal region of Alabama supports several natural resource-based industries, each of which thrives given the existence of other, competing industries. This report discusses the interplay among different users of the region's

natural resources, notably the tourism, fishing and offshore natural gas industries. Data are presented that show how the tourism and natural gas industries contribute to the economic growth of coastal Alabama and the State of Alabama. Conflict between the offshore gas and tourism industries over the use of coastal Alabama resources is discussed. Several case studies highlight the region's recent economic growth, industry coexistence, and the importance of the coastal region's natural resources to the local and state economies.

SIGNIFICANT CONCLUSIONS: The emergence of the offshore natural gas industry in Alabama has presented opportunity for conflict between this industry and other natural resource-based industries, primarily tourism and fishing. This report finds that these industries have continued to thrive given the existence of offshore gas production, and that the offshore industry has added significant revenues to both the State of Alabama and the coastal counties.

The cities of Gulf Shores and Orange Beach along Alabama's Gulf Coast are home to a densely developed tourism industry. Limited tourism existed prior to 1979, and the rapid development of the coastal region was initiated after 1980, mainly along Baldwin County's coastline. Gulf Shores experienced significant growth throughout the 1980s. The total volume and value of construction in Orange Beach grew 10-fold from 1991 to 1995. Sales tax revenues to the state from Baldwin County grew by more than 300 percent since 1979, totaling about \$20 million in 1995. Baldwin County leads the state in lodging tax collections, with over \$8 million collected in 1995. Baldwin County retained over \$4 million that year in lodging tax receipts.

The offshore natural gas industry in Alabama is over 15 miles away from the bulk of Gulf Shores development and nearly 25 miles away from Orange Beach. No platforms can be seen from the tourist areas of Baldwin County except in the region of Fort Morgan, to the west. There is no economic evidence that shows that the offshore gas industry has an adverse impact on the coastal region's tourism economy. However, the continued development of the offshore resources has the local tourism industry and developers concerned about future drilling impacts. Industry supporters claim risk to the environment from natural gas development is negligible.

The recreational and commercial fishing industries along Alabama's coastal region rely on a healthy and abundant marine supply. The natural gas industry has not adversely affected the quality of fishing, and has enhanced local fishing areas with the presence of offshore gas structures, which act as artificial reefs.

The most significant effects of the offshore natural gas industry on Alabama have been the collection of severance tax revenues by the state and the interest earnings from offshore gas trust funds. Severance tax revenues to the state totaled about \$30 million from 1990 to 1995. These revenues are dwarfed by the earnings from two trust funds, which hold money collected from bonus payments from offshore leases, state royalty payments and 8(g) payments received by the federal government. The principal in these funds is not spent; only the interest earnings are spent annually. Income from the

state trust funds has added about \$100 million annually in recent years to the state budget, equal to more than ten percent of the General Fund. These earnings will continue to grow because new royalty income is added to the principal annually from both existing and new wells.

STUDY RESULTS: See Study Conclusions.

STUDY PRODUCTS: Kelley, J.Q. and W.W. Wade. 1999. Social and Economic Consequences of Onshore OCS-Related Activities in Coastal Alabama: Final Baseline Report. OCS Study MMS 98-0046. A final report by Foster Associates, Inc., for the U.S. Department of the Interior, Minerals Management Service Gulf of Mexico Region, New Orleans, LA. Contract No. 1435-01-97-CT-30829. 113 pp.

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