

The Florida Senate
PROFESSIONAL STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: Commerce Committee

BILL: CS/SB 1856

INTRODUCER: Environmental Preservation and Conservation Committee and Senator Bennett

SUBJECT: Vessels/Artificial Reefs

DATE: April 6, 2007

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Branning</u>	<u>Kiger</u>	<u>EP</u>	<u>Fav/CS</u>
2.	<u>Linton/Pugh</u>	<u>Cooper</u>	<u>CM</u>	<u>Favorable</u>
3.	_____	_____	<u>CA</u>	_____
4.	_____	_____	<u>GA</u>	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

This committee substitute (CS) provides for the planning and development of a statewide matching grant program to assist in the securing and reefing of U.S. Maritime Administration (MARAD) and U.S. Navy decommissioned vessels to increase the opportunities for recreational diving and fishing. The Fish and Wildlife Conservation Commission (FWC or commission) is to administer this grant program.

The CS provides for the establishment of a pilot program by the FWC to fund the preparation and deployment of *U.S.A.F.S. General Hoyt S. Vandenberg* in the waters off the coast of Key West.

An annual report is to be submitted to the Governor, the President of the Senate, and the Speaker of the House of Representatives relating to these programs.

This CS amends s. 370.25, F.S., and creates s. 370.255, F.S.

II. Present Situation:

On occasion, the Navy has used unneeded ships as targets for military exercises known as SINKEX, or sinking exercises. However, now these obsolete Navy vessels may serve as artificial reefs, which will help promote marine life and fishing and relieve pressures on natural “coral” reefs. The Navy’s objective by seeking this program was to reduce the size of the inactive ships inventory in a cost-effective and environmentally sound manner.

Prior to 2003, the Navy disposed of its non-combatant ships through the U.S. Maritime Administration (MARAD), which is the government's disposal agent for merchant type vessels of 1,500 gross tons or more. MARAD has had statutory authority since 1972 to donate obsolete vessels to states for sinking as artificial reefs. The Naval Sea Systems Command (NAVSEA) has worked with MARAD to develop a common process for the donation of "federal" ships for artificial reefing.¹

On November 25, 2003, President Bush signed the National Defense Authorization Bill, HR 1588. Section 1013 of that bill provided that the Secretary of the Navy may transfer, by gift or otherwise, any vessel stricken from the Naval Vessel Register to any State, Commonwealth, or possession of the United States or any municipal corporation or political subdivision thereof for use as an artificial reef. It further provided for the Navy to be able to share with the recipient any costs associated with transferring the vessel, including costs of the preparation of the vessel.

The first warship offered for donation under this new program by the Navy for sinking as an artificial reef was the *Oriskany*. The 888-foot *Oriskany*, (also known as the *Mighty O*), the last Essex-class aircraft carrier in the fleet's inactive ship inventory, served the Navy for more than 25 years during the Korean War and the Vietnam conflict. The vessel was also used as a set in the 1955 movie *The Bridges at Toko-Ri*. The ship was decommissioned September 1976. This was the first time the Navy used the EPA National Guidance for Preparing Vessels to Create Artificial Reef Habitat² and the first time the Navy was seeking, for the reefing of the vessel, a risk-based disposal approval under 40 C.F.R. 761.62(c).

The *Oriskany* was successfully reefed on May 17, 2006, 24 miles southeast of Pensacola Pass, and became the world's largest artificial reef.

On February 13, 2007, MARAD issued a press release announcing that the *General Hoyt S. Vandenberg*, a troop carrier and missile-tracking ship of WWII and the Cold War, would become an artificial reef off Key West, FL. (It was also featured in a Universal Pictures science-fiction film *Virus* in 2000.) The 63-year old, 523-foot vessel is planned to be turned into an artificial reef later this year. The approval clears the way for the ship to be cleaned and sunk for a reef.³ The proposed sinking date for this vessel is anticipated to be April, 2008.⁴

Section 370.25, F.S., provides that the Fish and Wildlife Conservation Commission (FWC) is authorized to accept donations of military vessels. Also, the FWC is authorized to accept title, on behalf of the state, to vessels for use in the artificial reef program as offshore artificial reefs. The program may be funded from state, federal, and private contributions. This section also authorizes the commission to adopt rules establishing criteria for siting, constructing, managing, and evaluating the effectiveness of artificial reefs placed in state or adjacent federal waters, and the criteria for transferring the vessel titles to the state for offshore artificial reef deployment. The FWC is required to track all artificial reef development activities statewide, and maintain a database of these activities for the public interest and to facilitate long-range planning and coordination.

¹ *ex-USS Oriskany to Serve as Artificial Reef*, Navy Newstand, 2/9/2004.

² www.epa.gov/owow/oceans/habitat/artificialreefs/finalguidance.html

³ www.marad.dot.gov/Headlines/2007/Vandenberg/MARAD%2003%2007%20Vandenberg.htm

⁴ Florida Fish and Wildlife Conservation Commission Legislative Bill Analysis for SB 1856; 2007.

The FWC, in cooperation with Escambia County, was instrumental in the reefing of the *Oriskany*. The preparation and sinking costs of approximately \$21 million were mostly funded by the Navy, with Escambia County contributing \$950,000 of the cost and Okaloosa County contributing \$50,000 of the cost.

The reefing of the *Oriskany* was the first in this new program by the Navy and MARAD. The Navy is seeking partners to support the cost of preparing other Naval vessels for reefing.

Currently, there is not an agreed-upon means of equitable geographic distribution of large military vessels from the Navy and MARAD to competing local coastal governments within the state of Florida. Eight coastal counties have received permits for artificial reef sites that are greater than 150 feet deep, and there are 15 counties with reef sites deeper than 100 feet. The U.S. Coast Guard generally requires that there be 50 feet of clearance over the top of the reef for navigational safety reasons.⁵

The increasing costs associated with the reefing of large military vessels is a significant limiting factor. For example, the *Vandenberg* project is estimated to cost \$5.7 million. Such costs include liability insurance, environmental cleaning, towing, and deployment. Significant assistance from federal, state, and local government funding sources is required for a successful large ship reefing project.

III. Effect of Proposed Changes:

Section 1 amends s. 370.25, F.S., to provide legislative findings for the creation of a statewide matching grant program to secure and place MARAD and U.S. Navy decommissioned vessels in state and federal waters seaward of this state as artificial reefs. The FWC is authorized to plan, develop, and administer the statewide matching grant program and a pilot program for the preparation and deployment of the *U.S.A.F.S. General Hoyt S. Vandenberg* off the shore of Key West, FL. These programs will be implemented subject to appropriations.

The stated objectives for these programs are to:

- Assist in reducing the pressures on natural coral reefs and increasing the opportunities for recreational diving and fishing;
- Provide a mechanism through which local counties and municipalities can apply for, and receive, state matching funds for the placement of these vessels;
- Provide state funds that would be matched with local funds, federal funds, and funds from local businesses;
- Establish eligibility criteria for such state matching funds;
- Assist with the donation and transfer application for these vessels, in accordance with MARAD application evaluation criteria;
- Develop a master plan for maximizing the number and type of vessels to be placed, while ensuring the vessels are in the most geographically beneficial locations;

⁵ Florida Fish and Wildlife Conservation Commission Legislative Bill Analysis for SB 1856; 2007.

- Establish and promote standards for the placement of these vessels, consistent with the current environmental standards of the National Defense Authorization Act for FY 2004, and the best management practices manual⁶ of the U.S. Environmental Protection Agency (EPA) and MARAD;
- Work with the agencies responsible for the permitting of artificial reefs and the Florida Department of Environmental Protection (DEP) and allow for a review period consistent with MARAD and the Navy deadlines;
- Establish a United States military vessel component as a seventh theme for Florida's Maritime Heritage Trail;⁷ and
- Provide for title of decommissioned vessels to be transferred to the state.

Funds through this grant program may be used for cleaning, preparing, towing, and sinking the vessels.

Section 2 creates s. 370.255, F.S., authorizing the FWC to establish the Florida Ships-2-Reefs Program, which is the matching grant program previously described. The FWC is authorized to make expenditures and enter into contracts with local governments and nonprofit corporations for the purpose of securing, environmental preparation, and cleaning (to meet standards in the EPA and MARAD best management practices manual), and placing these vessels to form artificial reefs.

The FWC may receive, approve, and allocate matching funds based upon requests from local governments or nonprofit corporations.

Each grant awarded under the program shall be matched by nonstate dollars. The limit of a state matching grant is 33 percent of the total cost of securing, environmental preparation, cleaning, and placing the vessels.

This CS provides the eligibility criteria for these entities to demonstrate proof of matching fund availability prior to qualifying for the matching grant funds. The FWC will have the final approval of grants awarded through this program.

The FWC is authorized to adopt necessary rules to administer this program.

In addition, the FWC is required to establish a pilot program to fund the preparation and deployment of the *Vandenberg* in the waters off Key West. The FWC must submit an annual report beginning January 1, 2008, to the Governor, the President of the Senate, and the Speaker of the House of Representatives on the success and outcomes achieved by the pilot program. The report shall also include whether the pilot program should be continued, terminated, or expanded, and information on the procedures developed and used for the preparation and deployment of the *Vandenberg*.

⁶“National Guidance: Best Management Practices for Preparing Vessels Intended to Create Artificial Reefs.” Prepared jointly by the U.S. Environmental Protection Agency (EPA) and MARAD. 2006.

⁷ The Florida Maritime Heritage Trail is a collection of sites and places along the coast that can be visited and that represent Florida's strong ties to the sea over thousands of years. It is made up of six themes: Coastal Communities, Coastal Environments, Coastal Forts, Lighthouses, Historic Ports, and Historic Shipwrecks. The Florida Maritime Heritage Trail was created and is maintained by the Florida Department of State, Division of Historical Resources.

Contingent upon a specific appropriation for the pilot program, the FWC may provide funds to pay for a portion of the cost of the preparation and deployment of the *Vandenberg*.

The FWC shall develop procedures for conducting the pilot program. The commission shall examine and use, to the extent possible, other available options for funding the cost of the preparation and deployment of the *Vandenberg*, including the use of funds raised by private agencies or persons.

No later than January 1, 2008, and each year thereafter, the FWC shall submit a report to the Governor, the President of the Senate, and the Speaker of the House of Representatives detailing the expenditure of the funds appropriated to it for the Florida Ships-2-Reefs Program and the *Vandenberg* pilot program.

Section 3 provides that this act will take effect becoming a law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

This CS does not require cities and counties to expend funds nor limit their authority to raise revenue or receive state-shared revenues, as specified by s.18, Art. VII, State Constitution.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

It is anticipated that the reefing of decommissioned vessels will boost local economies. The reefs provide new opportunities for scuba divers and over time, as the marine life settles on the wreck, new opportunities for the fishing industry. Additionally, the reefs generate many full-time and part-time permanent jobs. Many of these are traditional "working waterfront" jobs, including jobs for captains and crewmembers, dive and tackle shop employees, and marina staff. These economic benefits are realized year-round,

especially in the off-season when warm-water diving and snorkeling are popular, and are expected to last indefinitely.

When the *Oriskany* was reefed off the coast of Pensacola, local officials indicated in a letter to the project organizer of the *Vandenberg*, that Escambia County recouped its \$1 million investment in 3 days. It has been estimated that diving trips to the *Oriskany* are booked 12 to 16 months in advance. Hotels and restaurants are seeing increased business as a result of this new tourist feature.

It is anticipated that Key West will experience similar boosts to the economy when the *Vandenberg* is reefed. It is projected to generate between \$56 million and \$168 million in commerce for the local economy in the next 10 years.⁸ Multi-county studies done in different parts of the state found that the average benefit to cost ratio of building the artificial reefs to the coastal communities in southeast Florida was \$107 to 1.⁹ (In northwest Florida counties, \$131 to 1.)¹⁰ In the future, any coastal community hosting a decommissioned vessel for reefing could see a tremendous return on their local investment.

C. Government Sector Impact:

The FWC has indicated that this CS would significantly increase the workload for the existing artificial reef program beyond current staffing and budgetary resources. The commission has indicated that an additional position associated with travel expenses would be needed to oversee the additional program requirements of the CS. This reoccurring expenditure from the general revenue fund is estimated to be \$72,448 per year.¹¹ Reefing of large ship projects are generally multi-year efforts and involve the coordinated efforts of all of the parties involved – state, local, federal, and private entities.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

This Senate Professional Staff Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

⁸ Solutions for Progress Inc. Philadelphia, PA. <http://www.solfopro.com>.

⁹ Johns, Leeworthy, Bell, and M.A. Bonn. 2003. *Socioeconomic Study of Reefs in Southeast Florida*. Report prepared for Miami-Dade County, Florida by Hazen and Sawyer P.C., Miami, FL. <http://marineeconomics.noaa.gov/Reefs/02-01.pdf>.

¹⁰ Bell, Bonn, and V.R. Leeworthy. 1998. *Economic Impact and Importance of Artificial Reefs in Northwest Florida*. Office of Fisheries Management and Assistance Service, Florida Department of Environmental Administration, Tallahassee, FL. <http://marineeconomics.noaa.gov/Reefs/nwfl.pdf>.

¹¹ Florida Fish and Wildlife Conservation Commission.

VIII. Summary of Amendments:

None.

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