

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

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

Prepared By: The Professional Staff of the Commerce and Tourism Committee

BILL: SM 852

INTRODUCER: Senator Hays and Senator Gaetz

SUBJECT: Supporting the Marketing of Florida Seafood

DATE: March 28, 2011

REVISED: _____

| | ANALYST | STAFF DIRECTOR | REFERENCE | ACTION |
|----|-----------------|----------------|-----------|--------------------|
| 1. | <u>Uchino</u> | <u>Yeatman</u> | <u>EP</u> | Favorable |
| 2. | <u>McCarthy</u> | <u>Cooper</u> | <u>CM</u> | Pre-meeting |
| 3. | _____ | _____ | <u>AG</u> | _____ |
| 4. | _____ | _____ | _____ | _____ |
| 5. | _____ | _____ | _____ | _____ |
| 6. | _____ | _____ | _____ | _____ |

I. Summary:

This Senate Memorial urges the United States Congress to support the marketing of domestic seafood generally and Florida seafood specifically.

Specifically, the memorial urges that Congress allocate import tariffs generated from marine and fishery product imports to promote domestic and Florida seafood. It also urges that Congress dedicate funds from import tariffs to a national seafood marketing fund to promote domestic seafood products.

II. Present Situation:

Seafood Production for Florida and the United States

Fishery products are composed of both “edible” and “nonedible” products. Edible products are those fit for human consumption and are generally labeled “seafood.” Nonedible products are not, though some may be used as feed ingredients for animals. The U.S. imported 5.2 billion pounds of edible products worth \$13.1 billion in 2009. Shrimp accounts for 29 percent of the total, or \$3.8 billion.¹

Florida’s commercial production of seafood in 2009 was valued at more than \$152 million. There are approximately 13,000 licensed commercial fishermen and aquaculturists in the state.

¹ U.S. Dep’t of Commerce, NOAA Fisheries: Office of Science and Technology, *Fisheries of the United States – 2009: Foreign Trade*, available at: http://www.st.nmfs.noaa.gov/st1/fus/fus09/06_trade2009.pdf (last visited 03/24/2011).

The total economic impact from seafood harvesting activities was valued at more than \$600 million in 2009.²

Initial Deepwater Horizon Explosion

At approximately 10:00 p.m. on April 20, 2010, the Transocean drilling rig known as Deepwater Horizon exploded in the Gulf of Mexico with the loss of 11 missing and presumed dead crewmembers.³ With the resulting leakage of crude oil and natural gas from the well site, the Deepwater Horizon disaster is now considered by many to be the largest single environmental disaster in United States history.

At the time of the explosion, the Deepwater Horizon rig was moored approximately 45 miles southeast of the Louisiana coast. Drilling operations were being conducted at a sea depth of 5,000 feet and had progressed more than 18,000 feet below the sea floor where commercial oil deposits were discovered. The site, known as the Mississippi Canyon Block 252, is estimated to hold as much as 110 million barrels of product.^{4,5}

On April 22, 2010, the Deepwater Horizon rig capsized and sank. Two days later, underwater cameras detected crude oil and natural gas leaking from the surface riser pipes attached to the well-head safety device known as the blowout preventer. The blowout preventer malfunctioned and failed to shut off flow out of the well-head.

Initial estimates assessed leakage at 1,000 barrels per day. The estimate was subsequently revised to 5,000 barrels per day.⁶ Estimates about the flow rate from the broken well were a subject of controversy, with various scientists calculating different rates from the official government estimates. The actual daily rate of leakage was somewhere between 52,700 and 62,200 barrels per day. “The emerging consensus is that roughly five million barrels of oil were released by the Macondo well, with roughly 4.2 million barrels pouring into the waters of the Gulf of Mexico.”⁷ On August 4, 2010, BP reported that the “static kill” method effectively stopped the oil leak. Work on the relief well was completed on September 19, 2010, which sealed the well with a cement plug. The final incident report issued by then Governor Crist

² E-mail from Nelson Mongiovi, Director, Department of Agriculture and Consumer Services, Division of Marketing and Development, dated March 3, 2011, (on file with the Senate Committee on Environmental Preservation and Conservation).

³ Wall Street Journal, Deepwater Horizon Rig Disaster – Timeline, available at <http://online.wsj.com/article/SB10001424052748704302304575213883555525958.html> (last visited 03/24/2011).

⁴ National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling, Staff Working Paper No. 6: Stopping the Spill: The Five-Month Effort to Kill the Macondo Well, available at <http://www.oilspillcommission.gov/sites/default/files/documents/Updated%20Containment%20Working%20Paper.pdf> (last visited 3/26/2011).

⁵ A barrel of oil is equivalent to 42 U.S. gallons.

⁶ WSJ.com Deepwater Horizon Rig Disaster – Timeline.

⁷ National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling, Staff Working Paper No. 3: The Amount and Fate of the Oil, available at <http://www.oilspillcommission.gov/sites/default/files/documents/Updated%20Amount%20and%20Fate%20of%20the%20Oil%20Working%20Paper.pdf> (last visited 3/25/2011). “By initially underestimating the amount of oil flow and then, at the end of the summer, appearing to underestimate the amount of oil remaining in the Gulf, the federal government created the impression that it was either not fully competent to handle the spill or not fully candid with the American people about the scope of the problem.”

showed that 2,000 tons (500,000 gallons) of oil had been recovered from Florida's shoreline as of August 26, 2010.⁸

Florida Response

Governor Crist declared a state of emergency on April 30, 2010, as a result of the spreading oil spill in the Gulf of Mexico and included Escambia, Santa Rosa, Okaloosa, Walton, Bay, and Gulf counties in the emergency declaration.⁹ The initial executive order was amended on May 3, 2010, to include Franklin, Wakulla, Jefferson, Taylor, Dixie, Levy, Citrus, Hernando, Pasco, Pinellas, Hillsborough, Manatee, and Sarasota counties.¹⁰ Subsequently, Charlotte, Lee, Collier, Monroe, Dade, Broward, and Palm Beach counties were added to the declaration.¹¹

Florida's emergency response system began immediate operations, which continued through the capping of the well.¹² The cost to Florida in terms of response costs, damage to Florida's economy and business community, individual workers who have lost jobs, decrease in property values, commercial fisheries and restoration of environmental damage cannot be calculated because of the ongoing nature of the effects.

As reported by the Governor's Gulf Oil Spill Economic Recovery Task Force at their monthly meeting in October 2010, state and local government institutions in Florida have been granted \$130 million in funding from BP to support environmental response and economic recovery efforts.¹³

| Award | Amount |
|--|---------------|
| 1. Response and Recovery Costs | |
| a. Booming/Consultant Cost | \$40,000,000 |
| b. State Response Cost | \$10,000,000 |
| 2. Tourism | \$32,000,000 |
| 3. Natural Resource Damage Assessment | \$8,000,000 |
| 4. Employment and Training Activities | \$7,000,000 |
| 5. Research Impact on Gulf of Mexico | \$10,000,000 |
| 6. Mental Health Care | \$3,000,000 |
| 7. Fish and Shell Fish Testing and Marketing | \$20,000,000 |

On December 29, 2010, BP reported that it had invested nearly \$1.3 billion in Florida.¹⁴ The majority of those payments, 85 percent, were to individuals and business to offset economic losses from the oil spill.

⁸ Situation Report #114 (Final), Deepwater Horizon Response, available at http://www.dep.state.fl.us/deepwaterhorizon/files/sit_reports/0810/situation_report114_082610.pdf (last visited 03/25/2011).

⁹ Office of the Governor, Executive Order Number 10-99, dated April 30, 2010.

¹⁰ Office of the Governor, Executive Order Number 10-100, dated May 3, 2010.

¹¹ Office of the Governor, Executive Order Number 10-106, dated May 20, 2010.

¹² The operations transitioned to a monitoring status on August 27, 2010.

¹³ Governor's Gulf Oil Spill Economic Recovery Task Force, created by Executive Order No. 10-101. See the October 28, 2010 Report for detailed information on funding from BP.

¹⁴ BP Investments and Payments - Florida, Dec 29, 2010, available at <http://www.floridagulfresponse.com/go/doc/3059/979815/> (last visited on 3/25/11).

Effect of the Oil Spill on Florida's Fisheries

The spill caused the closure of 88,522 square miles of federal waters to fishing, and affected hundreds of miles of shoreline, bayous, and bays. In addition to closure of federal waters, the Florida Fish and Wildlife Conservation Commission (FWC) in conjunction with other state agencies, declared parts of Escambia County closed to harvesting of saltwater fish, crabs and shrimp.¹⁵ The closure was in effect from June 14, 2010, to July 31, 2010, for saltwater fish and to August 17, 2010, for shrimp.¹⁶ State waters were reopened to all commercially harvested species on September 15, 2010, by FWC Executive Order 10-46.¹⁷

From April until July, several efforts were made to stop the flow of oil from the broken well. Most were unsuccessful. Finally, on July 15, 2010, (87 days after the blowout) the leaking well at the Deepwater Horizon site was capped and oil discharge into the ocean was stopped (the "top kill"). On September 19, 2010, 152 days after the April 20 blowout, Admiral Thad Allen announced that the well was "effectively dead."¹⁸

The Deepwater Horizon oil spill crippled Florida's seafood industry. Consumers across the nation were wary of eating any seafood from the Gulf of Mexico. Seafood sales plummeted immediately after the event. Many restaurants around the state began to put notices out that they were not serving seafood from the Gulf of Mexico. Staff at the Florida Department of Agriculture and Consumer Services (DACS) have documented that consumer confidence still remains unusually low. The public perception is that seafood from the Gulf of Mexico is tainted.¹⁹

Several polls have been conducted on behalf of DACS since the Deepwater Horizon incident. One highlight of the polls shows that 8 months after the first survey in May 2010, 61 percent of respondents said they were cautious and not buying as much seafood. Further, results show that Florida consumers remained "more concerned about":

- The long term-effects on availability (42 percent);
- Price increases due to spill (54 percent);
- Safety of Gulf seafood (48 percent); and
- Potential of unforeseen risks (49 percent).²⁰

¹⁵ Press Release, Florida Fish and Wildlife Conservation Commission, *Oil forces partial fishing closure in Escambia County* (June 13, 2010) available at http://74.174.224.46/search?q=oil+forces&site=default_collection&client=default_frontend&proxystylesheet=default_frontend&output=xml_no_dtd (last visited 03/25/2011).

¹⁶ Press Release, Florida Fish and Wildlife Conservation Commission, *Closed shrimp-harvesting area in Escambia Co. reopens* (June 13, 2010) available at: http://www.myfwc.com/NEWSROOM/10/statewide/News_10_X_OilSpill39.htm (last visited 03/25/2011).

¹⁷ Florida Fish and Wildlife Conservation Commission, Order No. EO 10-46, *Reopening of State Waters of the Gulf of Mexico that were closed in response to the Deepwater Horizon Oil Spill* (Sep. 15, 2010) available at http://myfwc.com/media/310640/EO_10_46_ReopenStateWatersGulfDeepwaterHorizon.pdf (last visited 03/25/2011).

¹⁸ National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling, Staff Working Paper No. 6.

¹⁹ See *supra* note 2.

²⁰ See *supra* note 2.

Florida's commercial fishermen continue to harvest quality seafood from the Gulf of Mexico and Atlantic Ocean, yet their sales are lagging. One of DACS' goals is to restore and improve Florida's seafood sales and the livelihoods of all involved in the state's commercial fishing industry. This can only be accomplished by assuring consumers and commercial buyers that Florida seafood products are safe, fresh, and plentiful.²¹

III. Effect of Proposed Changes:

SM 852 urges the Congress of the United States to support the marketing of Florida seafood. Specifically, the memorial urges Congress to:

- Allocate moneys generated from fishery product import tariffs for marketing Florida seafood;
- Pass legislation to create a national seafood marketing fund using fishery product import tariffs to finance the activities; and
- Urges the Florida Congressional Delegation to work with representatives of other seafood-producing states to promote domestic seafood.

Copies of the memorial are to be distributed to the President of the United States, the President of the United States Senate, the Speaker of the United States House of Representatives, and to each member of the Florida delegation to the United States Congress.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

None.

²¹ See *supra* note 2.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Additional Information:

A. **Committee Substitute – Statement of Substantial Changes:**
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. **Amendments:**

IX. None.