



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

March 2, 2015

LOUISIANA OYSTER LEASE PRACTICES, LOUISIANA WILDLIFE AND FISHERIES COMMISSION

Louisiana has the second-lowest rate for oyster leases and one of the lowest lease application fees among high-producing Eastern oyster-growing states, according to an informational report released Monday by Legislative Auditor Daryl Purpera.

The study, conducted by the performance audit section in Purpera's office, says the Louisiana Department of Wildlife and Fisheries oversees 8,052 oyster leases for a total of 402,579 acres leased at \$2 per acre per year, the same it has been since 1980 -- and the only increase since 1902 when leases went for \$1 per acre.

The report cites data from the highest Eastern oyster-producing states that indicated only Virginia, at \$1.50 per acre, has a lower acreage lease rate than Louisiana, while Florida, at \$16.73 per acre, is the highest. The report did not include Florida's rate of \$16.73 per acre in the average rate calculations because that rate is considered an outlier and would have inflated the average for the states. "The average oyster lease rate charged by five of the six states we surveyed is \$5.20 per acre," the report said. "If Louisiana increased its oyster lease rate to \$5.20 per acre, the state could generate \$1.29 million in additional revenue per year, assuming that the leased acreage remains the same."

The report also pointed out that Louisiana's \$40 oyster lease application fee "is lower than four of the six states we surveyed for new oyster leases." Mississippi does not charge a fee; Virginia charges \$25; and Texas, Florida, and North Carolina charge \$200. Maryland charges the most at \$300. Taking the average fee of \$154.17 for all six states, "the state could generate additional revenue," the report said.

Louisiana's oyster leases produced more than 10 million pounds of oysters during calendar year 2013, with a market value of \$40.6 million. That led the nation in oyster production, according to the report. Since 2002, the state Department of Wildlife and Fisheries stopped issuing new oyster leases because a moratorium was put in place by the Louisiana Wildlife and Fisheries Commission.

The halt on issuing more leases was put in place to reduce the state's exposure to potential lawsuits from lease holders because of damages done to their oyster grounds as a result of coastal restoration projects. "Lifting the moratorium could generate an additional \$1.33 million per year in revenue for Louisiana, assuming all newly-available water bottoms are leased," the report said.



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If the moratorium was lifted, the amount of acres that would be available could total almost 1.07 million, an increase of 666,457 in new acres. If the state left the rate at the current \$2 per acre, the additional acreage could generate up to \$1.33 million in new revenue. If the rates were set at the five-state average of \$5.20 per acre, excluding Florida, lifting the moratorium could mean an additional \$3.5 million a year.

The report from the state auditor pointed out that Louisiana law does not require oyster lease holders to produce or cultivate oysters. Of the other states surveyed, all but Texas require cultivation or production. Prior to 2001, Louisiana required the lease holders to cultivate 10 percent of leased water bottoms.

The report said that by requiring lease holders to produce or cultivate oysters “may reduce the potential for speculative leasing.” “Oyster lease holders may receive revenue from oil and gas companies for activities conducted on their leased water bottoms in addition to revenue generated from oyster production,” according to a report titled *Economic Analysis of Oyster Lease Dynamics in Louisiana*, cited by the report. “A cultivation requirement may help ensure state-owned water bottoms are leased for the sole purpose of producing oysters.”

The state auditor’s report also pointed out that Louisiana law does not address whether or not oyster lease holders can form partnerships and/or have an interest in multiple corporations in order to exceed the maximum 2,500-acre limit.

Auditors reviewed 8,052 lease records as of July 2014 “and found 36 instances (4,004 lease records) where the lease holders’ addresses matched the address of one or more corporations, partnerships, or estates” that resulted in more than 2,500 acres per address. The report said that the 36 cases totaled 213,657 acres, 53.1 percent of all acreage now being leased. Records indicate that one individual and 12 corporations – all with the same address – held a total of 27,668 acres, 11 times greater than the 2,500-acre limit allowed by state law.

Besides possibly increasing the lease rates and application fees, the report said state officials may want to “clarify whether or not the number of acres leased by partnerships and corporations should be included in the 2,500-acre limit.”

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On Twitter: Informational report looks at Louisiana’s oyster lease practices.