Keep Long Beach Oil Revenue Local: A Public Trust Review

Realigning State Revenue Sharing to Protect Coastal Assets and Meet Public Trust Obligations

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Introduction

For decades, oil production from Long Beach's tidelands has funded the maintenance and improvement of critical coastal assets. Revenues from the Wilmington Oil Field have supported lifeguard services, seawall repairs, pier rehabilitation, dredging, and public access improvements. In this way, the City of Long Beach, as trustee of granted state tidelands, has historically fulfilled its duty to preserve these lands for the benefit of all Californians.

However, the framework governing these oil revenues is based on outdated legislative findings that no longer reflect current realities. When the State assessed Long Beach's needs for its tidelands in the early 1960s, lawmakers deemed additional local trust funding *"economically impracticable, unwise, and unnecessary."* At that time, sea-level rise was not yet recognized as a local obligation, storm-driven debris and sewage were not overwhelming issues, and major harbor infrastructure projects had recently been completed. Since then, environmental pressures have intensified, public trust responsibilities have expanded, and infrastructure demands have grown exponentially, reshaping the conditions under which Long Beach's tidelands must be managed.

Recent State actions are accelerating the decline of oil revenues that both the City and State rely on to fund these trust responsibilities. Projected oil proceeds are not adequate to meet the costs of well abandonment, coastal infrastructure, and habitat restoration. Despite these dramatic changes, the State's revenue allocation formula has not been meaningfully revisited since 1991, and still rests on a 1964 finding that presumed Long Beach didn't need more than a token share of its oil revenue to maintain the coast.

This report argues that under the Public Trust Doctrine, the State of California has an ongoing fiduciary obligation to conduct a fresh analysis and reconsider whether the current State/City revenue split meets modern needs. In light of changed circumstances, clinging to an outdated funding formula risks impairing trust resources and violates the State's duty as trustee. To safeguard Long Beach's tidelands and fulfill shared trust responsibilities, the State and City must work together on an updated funding structure that reflects today's realities and secures the long-term health of these public coastal assets.

The Public Trust Doctrine: History and Legal Foundations

The Public Trust Doctrine is a legal principle holding that certain resources are preserved for public use and enjoyment. Its origins trace back to Roman law, which recognized that "by the law of nature" the air, running water, the sea, and the shores of the sea are common to everyone. In the United States, the doctrine was famously articulated by the U.S. Supreme Court in *Illinois Central R.R. Co. v. Illinois* (1892)[1]. In that case, the Court struck down a legislative attempt to give Chicago's harbor to a private railroad, holding that the State holds navigable waterways and submerged lands in trust for the public for uses such as navigation, commerce, and fishing. A state may not abdicate this trust or allow substantial impairment of the public's interest in these lands. This principle became the cornerstone of American public trust law.

In California, upon statehood in 1850, the State received ownership of all tidelands, submerged lands, and navigable waterways in trust for the people. Early California decisions made clear that

[1] https://www.law.cornell.edu/supremecourt/text/146/387

this trust strictly limits how tidelands can be managed or alienated. For example, in *People v. California Fish Co.* (1913)[2], the California Supreme Court invalidated sales of tidelands to private owners for non-trust purposes, reaffirming that such lands must remain devoted to public benefits and cannot be sold away into purely private ownership. This principle was enshrined in the California Constitution: Article X, Section 3 prohibits the sale of tidelands within two miles of a city to private parties, except in very narrow circumstances where the sale furthers trust purposes.

Traditionally, the recognized purposes of the public trust in tidal lands were navigation, commerce, and fisheries. Over time, however, California courts expanded the scope of allowable trust uses. In *Marks v. Whitney* (1971)[3], the Supreme Court declared that public trust uses are not confined to those historically recognized. The doctrine is flexible and can accommodate changing public needs. *Marks* held that trust uses include preservation of lands in their natural state, scientific study, open space, wildlife habitat, and recreational uses in addition to the original three uses of navigation, commerce, and fishing. This decision confirmed that the trust is dynamic. As society's values evolve, so can the uses of tidelands considered protected by the trust.

That flexibility was further illustrated in *City of Berkeley v. Superior Court* (1980)[4]. There, the Court confronted tidelands that had been filled and sold into private ownership a century earlier. It ruled that even if tidelands have been developed and title conveyed to private persons, the State's public trust interest is not extinguished. A legislative grant or transfer of former tidelands into private hands does not free those lands from the public trust unless they are being used for a trust-enhancing purpose. The public trust can resurface and restrict the use of such land if needed to protect public interests. This underscores the *enduring*, inalienable nature of the doctrine.

The California Supreme Court's decision in *National Audubon Society v. Superior Court* (1983)[5] (the "Mono Lake" case) extended the doctrine into the realm of water rights, but its broader holdings are critical. The Court held that the State, when allocating resources (in that case, water diversions), must always consider the public trust and may not allow substantial impairment of trust uses without taking mitigating measures. Moreover, the State's duty as trustee is affirmative and continuous: it must exercise ongoing supervision over trust resources and *reconsider past decisions* in light of new information or changed conditions. The Court expressly noted that no statutory or administrative scheme can dilute the State's obligations under the public trust, even long-established uses remain subject to re-evaluation to prevent harm to public trust values. In short, the public trust imposes a "continuous supervision" requirement on the State.

Recent cases reaffirm this proactive duty. In *San Francisco Baykeeper, Inc. v. State Lands Commission* (2015)[6], a state appellate court held that when the State Lands Commission considers leases of sovereign lands (for sand mining in San Francisco Bay), it must evaluate public trust impacts and ensure the use remains consistent with trust purposes. The court

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[2] https://www.courtlistener.com/opinion/3302801/people-v-california-fish-co/
[3] https://scocal.stanford.edu/opinion/marks-v-whitney-30094
[4] https://scocal.stanford.edu/opinion/city-berkeley-v-superior-court-30485
[5] https://law.justia.com/cases/california/supreme-court/3d/33/419.html
[6] https://law.justia.com/cases/california/court-of-appeal/2015/a142449.html

emphasized this is an obligation beyond CEQA compliance. The trust requires an affirmative analysis, meaning the State must continually re-examine whether ongoing activities align with evolving public trust values. The decision underscored that sovereign lands are not commodities to be leased at will, but resources held in trust for navigation, commerce, fisheries, recreation, and ecological preservation. By requiring a standalone review before authorizing extraction, *Baykeeper* reaffirmed that the State cannot defer to private operators or rely on outdated assessments.

Similarly, *Environmental Law Foundation v. State Water Resources Control Board* (2018)[7] confirmed that all levels of government share responsibility to safeguard public trust resources. In that case, a county issuing well permits was found to have a duty under the public trust doctrine to consider impacts on a navigable river connected to groundwater. The thread through all these authorities is that the public trust obligation is continuous and affirmative: it isn't a one-time box to check, but an ongoing mandate to adapt and respond as conditions demand.

Legislative Findings Are Not Final

This evolving body of case law is particularly important when assessing Long Beach's tidelands oil revenue structure. The State's past judgments about Long Beach's needs do not bind the present. In *Mallon v. City of Long Beach* (1955)[8], the California Supreme Court upheld the Legislature's authority to declare that retaining all of Long Beach's tidelands oil revenue locally was not necessary. The Legislature in 1951 had found it *"economically impracticable, unwise, and unnecessary"* for the City to spend additional oil revenues on trust purposes, given conditions then. The Court in Mallon deferred to that legislative finding *on the record that existed in the early 1950s*. It stated the "determination and finding is conclusive upon this court in the absence of evidence indicating that the abandonment of the public trust will impair the power of succeeding legislatures to protect, improve, and develop the public interest in commerce, navigation, and fisheries."[9] Crucially, however, Mallon did not and constitutionally could not say that such a finding would be true for all time. Nothing in Mallon suggested that the State could permanently abdicate its supervisory role or freeze the trust's needs.

In fact, modern jurisprudence since the 1970s has made clear that public trust duties cannot be conclusively discharged by any single legislative act. As discussed, *Marks v. Whitney* emphasized that trust purposes evolve with society's needs; *City of Berkeley* showed that trust restrictions can revive even after land conveyances; *National Audubon* held that the State must continually supervise and reallocate resources if needed to protect trust uses; and *Baykeeper*/*ELF* reinforced that trust duties are to be affirmed and apply to all levels of government.

Taken together, these authorities mean that the Legislature's determinations in 1964 and 1991 about Long Beach's revenue needs must not be set in stone. Those half-century-old findings must yield to the State's higher fiduciary duty to continually evaluate whether Long Beach's share of tidelands oil revenues is sufficient to meet current and future trust obligations. Today, the factual and legal landscape is radically different than in 1964. We have: climate change causing sea-level rise; new environmental mandates for clean water and habitat; CalGEM's

[7] https://law.justia.com/cases/california/court-of-appeal/2018/c083239.html
[8] https://scocal.stanford.edu/opinion/mallon-v-city-long-beach-26631
[9] https://scocal.stanford.edu/opinion/mallon-v-city-long-beach-26631

Water Injection controls affecting production and subsidence control; and SB 1137's health and safety buffers curtailing oil operations. None of which were imagined when the original funding formula was established. Under the Public Trust Doctrine, the State cannot continue to rely on outdated findings without considering how these changes impact the public trust.

With these principles in mind, we turn to the specific history of Long Beach's tidelands and the key legal precedents that have shaped their management and revenue allocation.

Long Beach's Tidelands: Grants, Oil Development, and Key Court Decisions

Legislative Grants and Trust Terms

The State of California granted Long Beach most of its tidelands and submerged lands in 1911 to be forever held in trust. The granting statute (Stats. 1911)[10] was similar to those for other harbor cities: it barred outright sale of the tidelands, allowing only leases, franchises, or easements consistent with trust purposes, and required that the harbor be improved *"without expense to the State."* The grant also reserved to the people the right to fish across these lands. In 1925, the Legislature expanded Long Beach's authorized trust uses to include public parks, parkways, highways, and playgrounds but again explicitly kept the lands under public trust and prohibited their alienation[11]. In 1935, another amendment added authority for limited leases to nonprofit benevolent and charitable institutions serving maritime personnel[12].

In essence, these grants conveyed to the City the responsibility to manage and develop the harbor and waterfront for public benefit, while imposing strict fiduciary limits: the City had to finance improvements itself (no cost to the State's General Fund), could not divert the lands to non-trust purposes, and could not dispose of them except in narrow circumstances as allowed. Long Beach became a trustee of state sovereign lands, charged with the same duties as the State.

City of Long Beach v. Marshall (1938)[13]

When oil was discovered in Long Beach's tidelands in 1937, questions immediately arose over ownership of mineral rights. Did the State retain the oil, or did it pass to the City under the grant? In *City of Long Beach v. Marshall* (1938), the California Supreme Court held that Long Beach's legislative grants gave the City full title in trust, not just to the surface but to the mineral estate as well, since the statutes had not reserved minerals to the State. Therefore, the City could lawfully extract oil and gas so long as those operations did not impair trust purposes. *Marshall* cleared the way for commercial oil production from Long Beach's tidelands, confirming that tideland oil development is permissible if it benefits or does not harm the public's trust interests. Importantly, the oil and gas remained part of the *trust corpus*, a point that would be elaborated in later cases.

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[10] https://slcprdwordpressstorage.blob.core.windows.net/wordpressdata/2023/07/S1911_Ch676_acc.pdf

[11] https://slcprdwordpressstorage.blob.core.windows.net/wordpressdata/2023/07/S1925_Ch102_acc.pdf

[12] https://slcprdwordpressstorage.blob.core.windows.net/wordpressdata/2023/07/S1935_Ch158_acc.pdf

[13] https://scocal.stanford.edu/opinion/city-long-beach-v-marshall-28956

City of Long Beach v. Morse (1947)[14]

As oil operations ramped up in the 1940s, the revenues began to flow, and so did disputes over their proper use. In 1946, anticipating substantial oil income, Long Beach voters approved a City Charter amendment that sought to divert 25% of tideland oil revenue into the City's general "Public Improvement Fund" for general city projects not necessarily related to the tidelands. This led to *City of Long Beach v. Morse* (1947), where the State challenged the diversion. The California Supreme Court ruled decisively in the State's favor, holding that proceeds from trust lands are themselves impressed with the public trust and may only be used for trust purposes. Justice Roger Traynor's opinion made it unmistakably clear: oil and gas extracted from trust lands are part of the trust corpus; once converted to money, those proceeds remain subject to the same trust restrictions as the lands from which they came. The City, as trustee, cannot appropriate those funds to its own general projects any more than it could use the land itself for non-trust purposes. *Morse* struck down the charter amendment and established the doctrine that tideland oil revenues must be devoted exclusively to trust-consistent uses. This was a pivotal affirmation of fiduciary duty. Long Beach's oil windfall could not simply become a municipal slush fund as it was earmarked for the coast.

The 1951 Statute[15] and Mallon v. City of Long Beach (1955)[16]

The Legislature responded to Morse and the burgeoning oil profits by asserting more direct State control. In 1951, the Legislature passed a statute declaring that 50% of Long Beach's tidelands oil revenue was in excess of expenditures necessary for trust purposes and hence would no longer be needed for those purposes. In effect, the State "freed" half of the oil revenue from trust use restrictions, aiming to take that surplus for the State. Long Beach objected, and the issue went to court in *Mallon v. City of Long Beach* (1955). The California Supreme Court in *Mallon* upheld the Legislature's authority to lift the trust restriction on a portion of the funds, stating their was an absence of evidence it would impair the trust. However, the Court clarified that the freed portion did not thereby belong to the City. Instead, once the Legislature determined those monies were not needed locally for trust, they reverted to the State, to be used for general statewide purposes.

Mallon confirmed the State's power to recapture tidelands revenue, but only upon a finding that the funds were not required for trust obligations at the local level.

The 1956 Tidelands Oil Revenue Law[17]

Mallon created further negotiation. Long Beach and the State entered a settlement that the Legislature approved in 1956. Under this 1956 law, the City agreed to pay the State $120 million out of past oil revenues, accounting for the "freed" 50% share from prior years. Going forward, the State and City would share tidelands oil revenues according to a defined formula of a 50%

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[14] https://scocal.stanford.edu/opinion/city-long-beach-v-morse-26034

[15] https://slcprdwordpressstorage.blob.core.windows.net/wordpressdata/2023/07/S1951_Ch915_acc.pdf

[16] https://scocal.stanford.edu/opinion/mallon-v-city-long-beach-26631

[17] https://slcprdwordpressstorage.blob.core.windows.net/wordpressdata/2023/07/S19561st_Extra_Ch29_acc.pdf

split. This arrangement allowed Long Beach to retain a portion of ongoing oil revenue for local trust uses, while remitting the rest to the State. The City's portion remained restricted to public trust uses, and the State's portion was unrestricted going to the General Fund. Importantly, a consent decree was entered to enforce the compromise: the court retained jurisdiction to ensure the City's expenditures of its tidelands funds complied with trust requirements. This judicial oversight was an added safeguard to make sure Long Beach lived up to its fiduciary duties with the money it was allowed to keep.

People v. City of Long Beach (1959)[18]

One of the first tests of the 1956 revenue-sharing consent decree came with a specific project: the City's proposal to use tidelands oil funds to construct a new facility on the waterfront for the Armed Services YMCA (to serve sailors and maritime workers in the Port of Long Beach). The California Supreme Court reviewed this in *People v. City of Long Beach* (1959). Some questioned whether building a seamen's center was a proper use of trust revenues. The Court upheld the project, finding it was explicitly authorized by the Legislature and that it furthered trust purposes: it directly benefited maritime personnel and thus aided navigation and commerce. This case illustrated both the breadth and the limits of permissible trust uses. On one hand, it showed that trust funds could be used for projects that at first glance might seem ancillary, so long as there was a close connection to harbor activities or serving the people who work on the waterways. On the other hand, the case also demonstrated the close scrutiny the courts would continue to apply. Every significant expenditure of Long Beach's tidelands fund needed to pass a trust purpose test, and the State stood ready to challenge anything that veered from that mandate.

Chapter 138, Statutes of 1964[19]

By the early 1960s, the Legislature updated the revenue formula regulating Long Beach's oil revenue. The result was Chapter 138 of the 1964 – a statute that effectively phased in a much smaller local share of oil profits over time. The Legislature in 1964 explicitly found again that devoting as large a percentage of revenues locally as before was "economically impracticable, unwise and unnecessary." Based on that finding, Chapter 138 instituted a step-down schedule for Long Beach's retention of "remaining oil revenue" (revenue after all expenses and contractors' shares). From 1964 onward, the City's allowed percentage would decline over about two decades: 50% in 1967, tapering down periodically, until by 1988 and thereafter the City would be capped at just $1 million per year. Everything above the cap, or above the percentage in earlier years, had to be sent to the State's General Fund on a monthly basis.

Chapter 138 also built in oversight provisions. It required the City to file descriptions of proposed tidelands improvements and gave the State Lands Commission authority to review and disapprove projects that did not meet trust purposes. The Commission could audit the City's tidelands fund as well.

The 1964 law memorialized the State's judgment at the time: Long Beach's coast was developed and the City didn't need more than a nominal sum; the rest could benefit the whole State.

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[18] https://scocal.stanford.edu/opinion/people-v-city-long-beach-26916

[19] https://slcprdwordpressstorage.blob.core.windows.net/wordpressdata/2023/07/S19641st_Extra_Ch138_acc.pdf

The 1991 Optimized Waterflood Program Agreement (OWPA)[20]

By the late 1980s, oil production from the Long Beach Unit was in natural decline. To boost output, the City and State partnered on an enhanced recovery initiative known as the Optimized Waterflood Program. The Legislature in 1991 enacted Chapter 941, Stats. 1991, approving an agreement for this program. Importantly, the OWPA did not override the 1964 revenue-sharing formula, it was layered on top of it. The deal was basically an incentive arrangement: a private contractor would invest in waterflood techniques to extract additional oil beyond the "base" decline curve, and the State agreed that the City could receive a small percentage of the State's share of profits from this *incremental* production. Concretely, the OWPA provided that after the contractor recouped costs, the State's net profits from the incremental oil would be split such that Long Beach received 0% in years 1–4 of the OWPA, then 3.75% in years 5–8, and finally 8.5% in year 9 and thereafter. In effect, the State encouraged the City to support increased oil production by raising the City's share of funding for trust purposes. Once the OWPA was in steady state (year 9+), Long Beach was getting the $1 million cap from the base formula *plus* 8.5% of the net profits of any oil attributable to the waterflood boost.

Ongoing State Oversight and Reporting

Throughout all these changes, the State Lands Commission has retained ultimate oversight authority over granted tidelands. Public Resources Code § 6301 vests the Commission with "all jurisdiction and authority remaining in the State" as to tidelands granted in trust. In Long Beach's case, this means although the City manages the lands, the State (through SLC) can step in to ensure compliance with grant conditions and trust law. Long Beach's granting statutes and subsequent laws require separate accounting of tidelands revenues, annual financial reports, and project lists to be submitted to the Commission. Today, State Lands Commission broadly requires all local trust grantees to file standardized annual financial statements of trust revenues and expenditures. The Commission reviews these to verify that every dollar derived from trust lands is expended only for trust purposes. The Commission also has shown its willingness to take legal action if needed. This continuing oversight framework underscores that Long Beach is not alone; the State, as ultimate trustee, is supposed to be watching and adjusting course as needed.

Legacy of Outdated Findings

One striking fact emerges from this history: the legislative finding from 1964, that it was "economically impracticable, unwise and unnecessary" for Long Beach to keep more than a token amount of oil revenue has never been revisited or revised in statute. Formally, that statue still authorizes tidelands oil revenue to be freed from the public trust and send to the State. It was made at a time when Long Beach's trust obligations were perceived to be minimal and oil production seemed long-term, lucrative, and harmless.

In the decades since, the City's responsibilities for shoreline protection, environmental compliance, and infrastructure have expanded dramatically, while the revenue to meet those needs is dwindling. The factual premise behind the 1964/1991 finding has evaporated, but the law has not caught up. As we now detail, continuing to rely on that outdated determination and

[20] https://slcprdwordpressstorage.blob.core.windows.net/wordpressdata/2023/07/S1991_Ch941_acc.pdf

thereby continuing the current revenue split is leading to a severe mismatch between resources and obligations on Long Beach's tidelands.

Historic and Current Challenges Facing Long Beach's Tidelands

Long Beach's tidelands face a convergence of challenges largely outside the City's control. As trustee, however, the City is expected to respond to and mitigate these challenges to preserve the public's use. This section outlines several major issues that make it extraordinarily resource-intensive just to keep Long Beach's tidelands safe, clean, and accessible underscoring why the old assumption that excess funds aren't needed locally is no longer valid.

Trash and Debris Inundation

Sitting at the terminus of the Los Angeles and San Gabriel Rivers, Long Beach receives enormous volumes of watershed debris on its beaches after storms. The city's beaches have essentially become the collection point for upriver communities' runoff. In 2023, the City of Long Beach and Los Angeles County collected over 10 million pounds of debris from its beaches and waterways. On average, the City now spends about $1 million annually from the Tidelands Operating Fund on debris removal. Although Long Beach has invested in catchment booms, skimmer vessels, and daily cleanup crews, and LA County is working on upriver trash capture, each major storm still leaves a fresh layer of garbage along the tidelands. This directly undermines recreation and water quality and demands unanticipated expenditures that were never envisioned in 1964 when the revenue-sharing was set.

Sewage Spills and Water Contamination

The Long Beach coastline is also hit with sewage and bacterial contamination from upstream. In just the past five years, the City has had to close beaches at least 63 times due to sewage spills in the Los Angeles River and other tributaries[21]. Even apart from discrete spills, health officials must post warnings advising no swimming for 72 hours after any significant rainfall, because urban runoff produces bacteria levels far above safe thresholds. These closures and advisories effectively rob the public of access to the ocean turning Long Beach's "swimmable" days into health hazard days. They also harm the City's reputation as a recreational destination. The City must invest in water testing, signage, patrol/enforcement, and public outreach every time this happens. Once again, these costs and lost recreational value stem from factors beyond the City's borders, yet the City's tidelands trust fund bears the burden to respond.

Federal Breakwater Impacts

In the 1940s, the U.S. Navy constructed the San Pedro Bay breakwater for national defense purposes, which had the side effect of eliminating natural surf and greatly reducing ocean circulation along Long Beach's coast. The federal breakwater turned the Long Beach harbor area into a calm water zone, but with consequences: stagnant water, loss of waves and sediment transport, and degraded near-shore ecosystems. For decades, Long Beach has spent millions on dredging, water quality improvements, and beach nourishment to offset these impacts. The City

[21] https://www.longbeach.gov/globalassets/city-manager/media-library/documents/memos-to-the-mayor-tabbed-file-list-folders/2023/september-20--2023---response-to-city-council-action-on-impacts-of-sewage-spills

partnered with the Army Corps of Engineers in a long study to potentially modify the breakwater for ecosystem restoration, but in 2019 the Corps determined the breakwater would remain. By 2024, the study was terminated without action. Thus, Long Beach is left to manage water quality and habitat issues on its own, due to a federal infrastructure decision.

Sea-Level Rise and Climate Resilience Requirements[22]

Since the current revenue formula was established in the 1960s, a major new challenge has emerged: sea-level rise and climate change. When the formula was created, climate-related risks were not considered in the budget. That changed with the passage of Assembly Bill 691 (2013), which requires local trustees like Long Beach to assess and plan for the effects of sea-level rise on their granted public trust lands.

In compliance, the City of Long Beach completed its Sea Level Rise Vulnerability Assessment in 2019, which revealed significant risks to recreation, infrastructure, and property:

- By 2030: Annual beach recreation losses could total $12 million, with $1.5–$4.7 million worth of public infrastructure at risk of flooding and damage.
- By 2050: Recreational value losses are projected to rise to $48.9 million annually, along with $3.3 million in annual City revenue losses, primarily from decreased tourism. At the same time, $36–$176 million in public infrastructure could be vulnerable to flooding or erosion damage.
- By 2100: In a worst-case scenario, approximately $70 million in public and private property could be lost or damaged, while recreational value losses could reach $74 million annually as beaches shrink or disappear. In addition, over $180 million in infrastructure could be compromised by sea level rise and storm events.

The assessment highlights that neighborhoods, some of which are adjacent to tidelands oil production like Belmont Shore, the Peninsula, and Naples, are particularly vulnerable to frequent flooding or permanent inundation without significant investments. It identifies hundreds of millions of dollars in climate adaptation costs, yet no stable funding source exists to pay for these necessary projects.

The 1964 legislative determination that additional local funds were “unnecessary” is now outdated. These costs are not only necessary but also unavoidable, reflecting the proven link between fossil fuel emissions, climate change, and sea level rise—factors that were not considered when the formula was created.

Declining Oil Production and State-driven Acceleration[23] [24]

The very funding source historically relied upon to support Long Beach’s trust needs, oil extraction, is rapidly dwindling. The Long Beach City Auditor projects that tidelands oil

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[22] Assembly Bill 691 Compliance City of Long Beach

[23] Review of Economic Impacts to the City of Long Beach Associated with California’s Anticipated Transition Away from Crude Oil & Natural Gas Production

[24] https://slcprdwordpressstorage.blob.core.windows.net/wordpressdata/archive/2025/20250402/47-04-02-25_47.pdf

revenues will fall by more than half in the next decade due to the natural decline of the fields. In FY 2023, oil revenue to the Tidelands Fund was approximately $56.5 million. By 2035, that figure is projected to fall to just $26 million, a 54 percent drop.

An even sharper decline is now expected following the implementation of Senate Bill 1137 (2022). The law prohibits new drilling and major rework of existing wells within 3,200 feet of sensitive sites like homes, businesses, and schools. These health and safety buffers cover roughly 50 percent of the wells in the Long Beach Unit. Although enforcement was delayed pending a proposed referendum, SB 1137 officially took effect in June 2024 after the referendum effort was withdrawn.

As a result, operators are expected to shut down many buffer-zone wells years ahead of schedule. The City Auditor has noted that SB 1137 could double the annual decline rate from about 6 percent to about 12 percent, bringing oil revenues down to $21 million by 2035, a 63 percent total decline. Moreover, an immediate drop in revenue started in FY 2024–25, with the Tidelands Fund projected to enter deficit in FY 2026.

At the same time, the California Geologic Energy Management Division (CalGEM) issued a directive on public trust assets requiring a reduction in injection well pressures under an Injection Reduction Work Plan. Because injected water is critical to both subsidence control and oil recovery, these reductions are expected to slow reservoir performance and cut oil output further. Importantly, this agency order was made without any review of how such changes would affect the City's ability to meet its public trust responsibilities.

The trend is unmistakable. Long Beach's oil revenues are collapsing. Market forces, state climate policy, and operational restrictions are accelerating the transition away from fossil fuels, and the wells that have long supported the City's public trust obligations are now approaching the end of their economic life. At the same time, the State's revenue formula continues to divert a substantial share of these shrinking dollars, even as local needs rise.

End-of-Life Well Abandonment and State Liability[25]

When oil operations cease, state law requires that wells be plugged and abandoned, facilities removed, and the land restored for public trust purposes. In Long Beach, these obligations are enormous. The City Auditor estimates total abandonment and decommissioning costs at $1.86 billion by 2035, of which $1.39 billion is the State's responsibility, $205 million falls to the City, and the remainder to oil contractors.

In the 1990s, the City started saving for oil abandonment including the State's share, and following *State Lands v. City of Long Beach* (2005), the State took control of this savings plan. Contributions stopped in 2014 when the fund hit its $300 million cap, and only resumed under AB 353 (2022) at a limited rate of $2 million per month or 50 percent of remaining profit, whichever was less.

[25] Review of Economic Impacts to the City of Long Beach Associated with California's Anticipated Transition Away from Crude Oil & Natural Gas Production

The 2024 City Auditor report made the scale of the problem unmistakable: even if the State redirected 100 percent of its remaining oil revenue toward abandonment starting immediately, it would still fall $466 million short by 2035. That shortfall assumes full contribution of every remaining dollar of oil revenue.

In response to this shortfall, the Legislature enacted SB 1425 (2024), which increases monthly contributions beginning January 31, 2025, to $5 million or 50 percent of remaining oil revenue, whichever is greater[26]. While this is a notable improvement over the previous formula, it still leaves the State projected to be short of its share of abandonment costs.

These figures do not account for the cost of remediating and restoring the tidelands after oil operations. Plugging wells and removing hardware is the responsibility of oil operators closing business. Returning the land to a condition that meets today's public trust standards after nearly a century of oil drilling that benefitted the State will require long term investment.

In short, the State is facing a predictable, well-documented funding gap, and yet continues to divert oil revenue away from the public trust.

Aging Coastal Infrastructure and Unfunded Projects

In addition to cleanup liabilities, Long Beach faces massive reinvestment needs in the very infrastructure that enables the public's use of the coast. Over decades, piers, seawalls, marinas, beaches, and public facilities have been built along the tidelands. Many were built when Long Beach's share of oil revenue was high, but are now decades old and in need of major repair or replacement. The City has identified over $1 billion in critical unfunded capital projects for its coastal area. These projects are essential for public safety, access, environmental protection, and adapting to sea-level rise. Major examples include:

- **Sea-Level Rise Adaptation Measures[27]:** Following the 2019 vulnerability assessment, Long Beach outlined hundreds of millions of dollars in protective measures (earthen berm enhancements, sand dunes restoration, elevating roads and utilities, seawall upgrades, etc.). There is no stable funding source for most of these climate resilience projects yet.
- **Naples Island Seawalls[28]:** The Naples community is ringed by canals used for navigation, commerce, and lined with public walkways. Sections of seawalls are weaken and need replacement. The City completed two of six segments, but four seawall segments remain. Estimated cost to replace the rest is $125 million. This protects not just homes and businesses, but also canals and public access.

[26] Legislation to Secure Savings for Oil Cleanup Fund in Long Beach Signed Into Law by the Governor | Senator Lena A. Gonzalez

[27] https://www.slc.ca.gov/granted-public-trust-lands/grantees/city-of-long-beach/

[28] https://www.longbeach.gov/globalassets/city-manager/media-library/documents/memos-to-the-mayor-tabbed-file-list-folders/2024/november-8--2024---naples-seawalls-conditions-assessment-update

- **Peninsula Beach and Living Shoreline:** To protect the narrow Peninsula community and maintain the public beach, a project is in design for sand nourishment and dune habitat creation. Projected cost ranges from $111 million to $237 million depending on design alternatives. This would buffer against rising seas and wave erosion while restoring habitat.

- **Removal/Repurposing of the Oil Islands[29]:** Long Beach has four artificial oil islands (THUMS Islands) off its coast. Once oil operations cease, an opportunity arises to remove some or all of them and restore open water and natural shoreline vistas. Removing just two of the islands is roughly estimated at $156 million to $401 million. This would improve navigation safety and could allow new recreation or habitat uses, but it's a massive undertaking.

- **Belmont Veterans Memorial Pier[30]:** This public pier, built in 1966, is a beloved fishing and recreational spot for the region, but it is reaching the end of its useful life. A study found that a full replacement would cost on the order of $86 – $102 million. Even interim rehabilitation would cost tens of millions. Without funding, the pier may eventually be closed for safety, which would be a significant loss of a trust asset.

- **Alamitos Bay Water Quality Enhancement[31]:** The City is studying engineering solutions to maintain water circulation and quality in Alamitos Bay. Possible measures include installing fish-friendly water pumps to replace pumps currently used for State-directed natural gas power plant operations. Construction is roughly estimated at $30 – $50 million. Clean water in the bay is crucial for boating, swimming, and marine life.

- **East San Pedro Bay Ecosystem Restoration[32]:** This was the joint Army Corps project aimed at restoring kelp forests, wetlands, and reef habitat in the bay. The federal project was shelved, but if it had proceeded, Long Beach's local cost share was estimated around $98 million. The need to restore habitat in the bay still exists, even if the big federal project isn't happening.

- **Belmont Beach Pool and Aquatics Center[33]:** The Belmont pool has attracted visitors from the state, country, and world to enjoy Long Beach's beach for decades, teaching important water-related skills. There are plans set to replace the demolished Belmont Plaza Pool, with a new pool and aquatics center. While most funding has been assembled, the project still has about a $20 million gap that needs to be filled to complete it. This facility directly serves public recreation and educations on the coast.

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[29] https://www.slc.ca.gov/wp-content/uploads/sites/355/Meeting_Summaries/2017_Documents/11-29-17/Items_and_Exhibits/82.pdf
[30] The Belmont Veterans Memorial Pier Enhancements
[31] https://www.longbeach.gov/pw/projects/abwqe/
[32]https://www.spl.usace.army.mil/Portals/17/docs/projectsstudies/East_San_Pedro_Bay/ESPB_Final_IFR.pdf?ver=ld-sjrzxWTygwqA_wB0I0A%3d%3d
[33] Belmont Pool - Notices and Meetings

- **Future Wetlands Restoration of Oil Fields[34]:** Portions of the historic wetlands are currently active or recently retired oil fields. Once oil operations wind down, the City envisions converting these lands back to wetlands and other natural habitats. The costs for this could be very high but have not yet been fully estimated. Still, it's anticipated to be a significant expense given the scale of environmental restoration required.

These projects underscore the huge gap between the City's obligations and its available resources under the current revenue formula. They also highlight how priorities have shifted: what the 1964 Legislature called "unwise and unnecessary" is now essential.

A Call to Realign Tidelands Revenue with Public Trust Obligations

The Public Trust Doctrine demands ongoing stewardship, accountability, and foresight to the public's interests. For over seventy years, the City of Long Beach has demonstrated its commitment as a local trustee by reinvesting every dollar of its tidelands oil revenue into protecting and enhancing the coast.

In contrast, the State's legal and financial framework for governing these revenues no longer reflects present realities.

Oil production is declining sharply while the demands of climate adaptation, environmental remediation, and aging infrastructure have grown exponentially. This situation is not just unsustainable. It is increasingly incompatible with the State's duties under the Public Trust Doctrine.

To realign management of Long Beach's tidelands with core trust principles and to prevent long-term impairment of these public resources, the City and State should jointly pursue the following reforms:

- **Conduct a new Public Trust Needs Assessment.** The State and City should complete a formal analysis of the Long Beach tidelands to quantify unmet trust obligations, future needs, and the full cost of abandonment, remediation, and climate adaptation. This will provide a data-driven foundation for long-term planning and funding decisions.
- **Update Chapter 138 of the Statutes of 1964, Section 2.** The statute currently declares it "economically impracticable, unwise, and unnecessary" to spend all of Long Beach's tidelands oil revenue on its tidelands. The 1964 finding allows the State to divert much of the revenue out of the trust corpus. Since 1964, conditions have shifted, and the provision should be revised to account for the significantly greater trust obligations Long Beach now carries.
- **Adopt a new revenue-sharing formula.** The current split was designed around the public trust needs of decades past. A revised formula should be grounded in the public trust needs of today.

[34] Into Los Cerritos Wetlands – The Los Cerritos Wetlands Authority Website

- **Make the Long Beach tidelands whole.** For nearly 100 years, the State has profited from oil production in Long Beach while the community has borne the environmental, health, and visual impacts. The State should reinvest directly in the tidelands through a long-term restoration plan, full funding of decommissioning, infrastructure partnerships, and financial offsets for past harm.