STATE PERSPECTIVES ON OFFSHORE REVENUE SHARING

OVERSIGHT HEARING

BEFORE THE

COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

Wednesday, July 27, 2011

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OVERSIGHT HEARING ENTITLED "STATE PERSPECTIVES ON OFFSHORE REVENUE SHARING."

Wednesday, July 27, 2011
U.S. House of Representatives
Committee on Natural Resources
Washington, D.C.

The Committee met, pursuant to call, at 10:04 a.m. in Room 1324, Longworth House Office Building, Hon. Doc Hastings [Chairman of the Committee] presiding.

Present: Representatives Hastings, Gohmert, Lamborn, Wittman, Fleming, Duncan of South Carolina, Tipton of Colorado, Labrador, Landry, Johnson, Markey, Napolitano, Holt, Grijalva and Luján.

The CHAIRMAN. The Committee will come to order. The Chairman notes the presence of a quorum, which under Rule 3(e) is two Members.

The Committee on Natural Resource is meeting today to hear state perspectives on offshore revenue sharing. Under Committee Rule 4(c), opening statements are limited to the Chairman and the Ranking Member. However, I ask unanimous consent that any Member who wishes to have an opening statement be part of the record. Without objection, so ordered.

Before I recognize myself to make my opening statement, as people are probably aware, there are a few other issues floating around the Capitol today and our respective caucuses and conferences are meeting right now to discuss those issues, but I do appreciate very much the witnesses for being here.

I will recognize myself now for five minutes.

STATEMENT OF HON. DOC HASTINGS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

The CHAIRMAN. Revenue sharing from offshore energy production has long had support in Congress, but its implementation is incomplete and limited to only a few Gulf states. I do recognize that offshore revenue sharing is not universally supported and has its opponents.

Today I hope the Committee can have a constructive conversation and that Members concentrate on how best to move forward on a proposal that is both fair and responsible. We should focus on how best to share offshore revenue, because the Committee will be taking up this matter legislatively after the August work period.

As we begin this conversation, I believe it is crucial to recognize that revenue sharing will increase American energy production by creating new incentives for opening new offshore areas for drilling. More American energy production equates to more jobs, a stronger economy and more revenue.

The argument will undoubtedly be made today that the Federal Government cannot afford revenue sharing; that somehow the Federal Government cannot find a responsible way to fairly share offshore revenues with the states that are impacted. Ironically, those making this argument are the same folks who voted in the last Congress to give $58 billion in stimulus spending directly to state and local governments.

This argument that we cannot afford to share offshore revenue ignores the fact that this policy will open the door to new energy production in new areas. Currently the Federal Government is not collecting any revenue from energy production off the Atlantic Coast because this area is not open for exploration and production. A revenue sharing proposal would help spur energy development in the Atlantic and other offshore areas, generating revenue for the Federal Government.

It is interesting to note that the firmest opponents to offshore revenue sharing in many respects are the same people who fundamentally oppose offshore drilling. This is quite a different argument to make; that revenue sharing unfairly gives away Federal revenue, when if they had their way they wouldn't be collecting revenue from offshore in the first place.

When it is all boiled down, a revenue sharing proposal is and must be about fairness. It must be fair to the coastal states by applying to all producing states equally and recognizing that they have a tremendous stake in the costs and inherent risk to offshore energy production and so they should share in the rewards.

A revenue sharing proposal must also be fair to the American people. Our offshore oil and natural gas resources are Federal resources that belong to all Americans. This is a fact that we cannot forget.

As I stated at the outset, I am actively reviewing revenue sharing proposals, and I intend for the Committee to address this legislatively after the August district work period. For the record, such a bill will be offset and comply with the House Cut-Go rules and protocols.

Also on the agenda after August is action on organic legislation to reorganize the Department of the Interior's management of offshore energy. On Monday, I unveiled a discussion draft of such legislation, and I welcome those comments and suggestions of people that have any comments and suggestions on them.

Each of these proposals further the goal of increasing responsible offshore energy production to create jobs, to protect our national security and generate more revenue for the Federal Government and the coastal states that partner with the Federal Government.

This Committee has already acted aggressively to advance increased American energy production during the first half of this year, and our pace will only accelerate when Congress reconvenes in September. I would just remind Members to get rested, and we will look for a very robust time after the break.

I thank the witnesses for being here, and I will introduce them in a moment. With that, I yield to the distinguished Ranking Member, Mr. Markey.

[The prepared statement of Mr. Hastings follows:]

Statement of The Honorable Doc Hastings, Chairman, Committee on Natural Resources

Revenue sharing from offshore energy production has long had support in Congress, but its implementation is incomplete and limited to only a few Gulf Coast states. I do recognize that offshore revenue sharing is not universally supported and has its opponents. Today, I hope the Committee can have a constructive conversation and that Members concentrate on how best to move forward on a proposal that is fair and responsible. We should focus on how best to share offshore revenue because the Committee will be taking up this matter legislatively after the August work period.

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Each of these proposals further the goal of increasing responsible offshore energy production to create jobs, protect our national security, and generate more revenue for the federal government, and the coastal states that partner with us.

This Committee has already acted aggressively to advance increased American energy production during the first half of this year, and our pace will only accelerate when the Congress reconvenes in September. Get rested by Labor Day, because it is going to be a very active autumn.

I thank the witnesses for being here today and look forward to their testimony.

STATEMENT OF HON. EDWARD J. MARKEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. MARKEY. Thank you, Mr. Chairman, very much. So we are here at a very interesting time. The reason that this is so sparsely attended today is that almost all the Republicans are huddled in

one room trying to find with Speaker Boehner a way to find a trillion dollars worth of revenue. Actually not revenue. Revenue means taxes. It could mean royalties too, I suppose.

But to just find a trillion dollars to tide us over for the next six months or so before we go back into crisis again and keep a cloud over the American economy so the trillions of dollars on the sidelines the private sector is not investing because of economic uncertainty stays on the sidelines so that this recession just continues without being fully remedied with competence in the marketplace being restored.

So what are we doing here today? Well, what we are doing here today is finding a way to take more revenues out of the Federal Government, the revenues that are paid by oil companies to the Federal Government for the right to drill for oil off of the coastline of the United States, actually not reducing, but increasing the deficit at the Federal level that is causing the crisis that we have right now.

Now, back in 2006 there was a bill which passed. It was rammed through. It was like the last thing Republicans did when they controlled the House and the Senate and the Presidency was to ram through a bill which gave a disproportionate share, upwards of $150 billion worth of royalty money, to four states down in the Gulf of Mexico.

Now, that $150 billion is exactly how short John Boehner is right now in reaching a trillion dollars, but that $150 billion is gone and is not there for the Republicans to find because they gave it back to the states as a gift from the Federal Government.

Now, this bill that we are going to consider today will take even more billions of dollars and take it from the Federal Treasury and hand it over to the states, kind of welfare for the states, which would be fine if the Federal Government was rolling in dough, which we are not. In fact, we are in a crisis right now, but here we are debating how we can take more money and give it away from the Federal Government and give it to the states.

So Mr. Holt and I are going to introduce legislation which will rescind that 2006 law. We need that money back for the Federal Government. Otherwise we are going to have to cut Medicare, cut Medicaid, cut NIH funding, cut programs for the disabled in our country, cut defense spending. We need that money, OK?

It is obvious that that was a huge mistake, given the crisis that we are in right now, but this bill is a big mistake. How can we even begin to discuss this subject right now, given the totality of the fiscal calamity which is now descending upon the capital markets of our country and the world because of the fiscal crisis of the Federal Government?

So my advice would be that this is just a big mistake and seen in the totality of the total fiscal situation of our country unfortunately it is just something we can't afford. You know, we would like to help the states out right now, but we are discussing cutting Medicaid funding for the states right now.

We are discussing cutting programs across the board for the states that the Federal Government won't be able to provide any longer. We can't possibly be talking about actually a transfer of tax money, royalty money, to the states at this crucial time.

So Mr. Holt and I are going to respond to that with legislation not only on this bill, but on the legislation that passed in 2006 because hindsight is 20/20. We can see the 2006 bill is a big mistake, but you don't have to be Dick Tracy to figure out that the bill that we are considering here today going forward prospectively is like putting straws into the revenues of the Federal Government and allowing the states to suck it out even as they already benefit from all the money that is within the first three miles off of their coastline. They get 100 percent of the revenues anyway.

But the money that is deep offshore, that is Federal money. That is money for the whole country, not just for the states that immediately abut that water mass. And so I look forward to the hearing and the testimony of our witnesses.

[The prepared statement of Mr. Markey follows:]

Statement of The Honorable Edward J. Markey, Ranking Member, Committee on Natural Resources

Thank you.

It is hard to imagine a hearing that would be more tone deaf than the one the majority has scheduled today. We have less than one week to reach an agreement to reduce our federal deficit and raise the debt ceiling. But here the Republican Majority is holding a hearing to actually discuss increasing our deficit by diverting billions of dollars worth of oil drilling royalties away from the federal government and to the states.

The Republican majority refuses to accept any increases in revenues by getting rid of tax breaks for billionaires and oil companies as part of a balanced approach to reduce our budget deficit and avoid national default, but they apparently have no problem diverting billions in federal drilling revenue.

The revenue generated from oil and gas drilling on federal lands offshore is one of the largest non-tax revenue streams for the federal government. These oil and gas resources belong to all of the American people—not just those of the adjacent states. They are public resources that belong as much to someone living in Massachusetts or Ohio as they do to someone in Louisiana or Texas. These are resources that should help every American, not a select few.

The revenue generated from these public resources goes to the federal treasury to help pay for Medicare and Medicaid. It helps to pay for our national defense. It helps pay for Pell Grants to educate our children. This money should be used to benefit all Americans. Yet the Republican Majority would like to use it as a bargaining chip to bribe cash-strapped states into accepting new drilling.

Coastal states already get 100 percent of the revenue from all drilling in state waters, generally the first three miles from shore. In addition, the OCS Lands Act gives states 27 percent of the revenue from drilling in the first 3 miles of federal waters, generally 3 to 6 miles offshore.

However, in the waning hours of the 2006 Congress, the Republican leadership rammed through legislation that sent revenues from offshore drilling in federal waters in the Gulf of Mexico to four states—Louisiana, Mississippi, Alabama and Texas. That bill set up what amounts to a new entitlement program for these four states that will result in a massive transfer of wealth from the federal government.

According to the Department of the Interior, the revenue sharing provisions in that bill will cost the federal government $150 billion over the next 60 years. That is $150 billion that we will not have to reduce our deficit.

Normally, welfare means the largess of the State. But with this oil welfare, it's the largess going *to* the states.

And it could actually get worse if a proposal in the Senate to eliminate the annual $500 million cap on what can be sent to the states were to become law. That proposal would divert an additional $224 billion of oil well welfare to those four Gulf States over the next 45 years.

If we are serious about getting our fiscal house in order, we need to end the royalty giveaway to these four Gulf States. And we should certainly not be expanding this giveaway.

That is why today I will be introducing legislation with Representative Holt that would put an end to this irresponsible fiscal policy. Our legislation would repeal the revenue sharing provisions enacted in 2006 and save U.S. taxpayers $150 billion

over the next 60 years. Our legislation would also ensure that all of those funds be used for deficit reduction.

As the Republican majority is pushing us to the brink of financial disaster by demanding cuts to Medicare and Social Security in order to reduce the budget deficit, we simply cannot afford to send $150 billion that rightfully belongs to U.S. taxpayers to these four Gulf States. It's time to stop this oil well welfare for the Gulf States and put this money to better use reducing the deficit and paying our bills.

The CHAIRMAN. I thank the gentleman, I think, for his opening statement.

Mr. MARKEY. You are welcome.

The CHAIRMAN. As I am sure he thanks me. I welcome our witnesses. We have with us The Honorable Doug Domenech, the Secretary of Natural Resources for the Commonwealth of Virginia; The Honorable Garret Graves, the Chairman of the Coastal Protection and Restoration Authority, Office of the Governor of the State of Louisiana; and Ms. Ryan Alexander, Taxpayers for Common Sense.

The rules here, just to give you the timing lights here, when the green light goes on you have five minutes, when the yellow light goes on you have one minute, and when the red light goes on that means that the time has expired. Without objection, your full statement will be in the record. If you can confine your remarks as close to five minutes, I would very much appreciate that.

Secretary Domenech, you are recognized for five minutes.

STATEMENT OF HON. DOUG DOMENECH, SECRETARY OF NATURAL RESOURCES, COMMONWEALTH OF VIRGINIA

Mr. DOMENECH. Good morning, Mr. Chairman and Members of the Committee. I am Doug Domenech, Secretary of Natural Resources for the Commonwealth of Virginia.

In my secretariat, I oversee six state environmental agencies and assist in implementing the Commonwealth's energy policy. Thank you for inviting Virginia to share our thoughts on the importance of revenue sharing as a critical part of the development of offshore oil and gas resources.

Governor Bob McDonnell has been clear from the day he took office in January of 2010 that his goal is to make Virginia the energy capital of the East Coast. We have been hard at work expanding opportunities for both conventional and renewable energy development onshore and offshore as part of an all-of-the-above strategy.

As part of this strategy, the Governor has pushed hard for access to oil and gas revenues off the Virginia coast. We enjoy the bipartisan support of our General Assembly and our congressional delegation, including our U.S. Senators Warner and Webb, and a majority of Virginia's delegation in the House of Representatives, in this effort.

We are grateful to House Natural Resources Chairman Hastings and this Committee for putting forward bills that passed the House of Representatives to reinstate Virginia Lease Sale 220 after it was approved but then canceled by the Administration after the Deepwater Horizon tragedy. Governor McDonnell supports your diligent efforts in making offshore exploration and development a priority for our nation, and Virginia now asks for support of legislation to allow revenue sharing of royalties from offshore Federal leases.

Virginia believes it is important to share revenues from oil and gas exploration with all coastal states in a similar way as is constructed in the Gulf. My written testimony can be summarized in four points:

First, revenue sharing proves that energy development is a partnership between the states and the Federal Government. Development of our domestic oil and natural gas resources is critical to our nation's secure energy future. States must be partners with the Federal Government in that development, and as partners the states should share in the revenues derived from OCS activity.

Revenue sharing that benefits local and state governments helps to promote national economic interests and generates additional Federal revenue by increasing state and local participation in offshore projects. Local and state governments will be incentivized to assist in the offshore exploration process by creating necessary infrastructure or passing offshore exploration friendly legislation.

Second, revenue sharing is not new. The precedent for royalty revenue sharing has already been set. Since the 1920s, the states have been collecting royalties from onshore Federal mineral leases. Since the 1950s, seven coastal states have been collecting royalties from offshore Federal leases within the three miles of their state waters.

Since 2006, four coastal states have been collecting revenues from offshore leases in any Federal waters under GOMESA. Now is the time for Congress to act to provide all states, not just a select few, with royalty revenue sharing on offshore Federal leases.

Third, revenue sharing is fair and equitable. States that choose to pursue offshore development should receive a deserved portion of its rewards. Revenue sharing provides the states with the economic ability to invest in local communities most affected by development risk.

States are on the front lines of the effects of offshore leasing, not the Federal Government. Last year's tragic offshore oil spill showed that such development can carry real consequences not for the inland states that ultimately use much of the energy being produced, but for the coastal states at water's edge.

And finally, revenue sharing provides the resources states need to develop and improve infrastructure. Returning a reasonable portion of the vast revenues from offshore generation and production to states will allow them to be far better prepared to mitigate the resulting risks and impacts. Revenue sharing provides the states with the ability to keep up with increasing industrial activity and ensure that we have world class safety and environmental safeguards. The states are first on the scene, and the states are the most directly affected.

Our national energy needs are too great not to have revenue sharing. We are hopeful that this Committee and this Congress will allow revenue sharing to go forward, and the Commonwealth of Virginia stands ready to lend a hand in any way we can.

Thank you, and I look forward to answering any questions you might have.

[The prepared statement of Mr. Domenech follows:]

Statement of The Honorable Douglas W. Domenech,
Secretary of Natural Resources, Commonwealth of Virginia

Good morning Mr. Chairman and members of the Committee. I am Doug Domenech, Secretary of Natural Resources for the Commonwealth of Virginia. In my Secretariat, I oversee six state agencies; the Department of Environmental Quality, the Department of Conservation and Recreation, the Virginia Marine Resources Commission, the Department of Historic Resources, the Virginia Museum of Natural History, and the Department of Game and Inland Fisheries. In addition, my Secretariat works closely with the Department of Mines, Minerals and Energy located within the Secretariat of Commerce and Trade to implement the Commonwealth's energy policy, and my Deputy, Maureen Matsen, serves as the Governor's Senior Energy Advisor.

Thank you for inviting Virginia to share our thoughts on the importance of revenue sharing as a critical part of the development of offshore oil and gas resources.

Virginia Governor Bob McDonnell has been clear from the day that he took office in January 2010 that his goal is to make Virginia the energy capital of the East Coast. We have been hard at work expanding opportunities for both conventional and renewable energy development, on-shore and offshore, as part of an "all-of-the-above" strategy. It is our intention to lead the way to reduce our nation's dependence of foreign sources of oil through new and innovative efforts to reduce the Commonwealth's consumption of gasoline and expand alternative fuel markets, and by being the first state on the Atlantic to explore and develop offshore resources.

As part of this strategy, the Governor has pushed hard for access to oil and gas resources off the Virginia coast. We enjoy the bi-partisan support of our General Assembly and our Congressional delegation in the United States Senate—Senators Warner and Webb—and a majority of Virginia's delegation in the House of Representatives in our effort.

Immediately after his election, the Governor expressed his desire to both Interior Secretary Salazar and President Obama that the Administration proceed with the previously scheduled Outer Continental Shelf (OCS) Lease Sale 220 off Virginia, and we were thrilled when, in March of last year, the President announced Lease Sale 220 would proceed.

Unfortunately, on April 20, 2010 the Deepwater Horizon tragedy occurred and on May 7, 2010 the Interior Department indefinitely postponed environmental work for Lease Sale 220.

Then on December 1, 2010, Secretary Salazar announced that scoping for the next 5–Year leasing program 2012–2017 would not include any Mid-Atlantic leases effectively shutting out Virginia until at least 2017.

We are grateful to House Natural Resources Chairman Hastings and this Committee for putting forward bills that passed the House of Representatives to both re-instate Lease Sale 220 and open up additional acreage in the Atlantic. Governor McDonnell supports your diligent efforts in making offshore exploration and development a priority for our nation and Virginia now asks for support of legislation to allow revenue sharing of royalties from offshore federal leases.

Development of our domestic oil and natural gas resources is critical to our nation's secure energy future. And the states must be partners with the federal government in that development. And as partners the states should share in the revenues derived from OCS activity.

America needs the new energy sources that lie off Virginia's coast. While we support new OCS activity off Virginia, it must be recognized that there will be significant costs borne by the state to bring that new energy onshore. Roads, bridges, terminals, ports and other related infrastructure will need to be expanded and maintained.

While we look forward to the job creation, the ability to keep up with this increased activity and ensure we have a world class safety regime in place to protect our shoreline is essential to making sure everyone knows how serious we are about safety and the environment.

Sharing revenues with states tells states the federal government is serious about partnering on both the costs and benefits of energy production.

In 2006, Congress passed the Gulf of Mexico Energy Security Act of 2006 (GOMESA). GOMESA created sharing of leasing revenues with oil producing states in the Gulf and the Land & Water Conservation Fund for coastal restoration projects. This legislation grants a share of revenues generated from leases in one leasing block between 2008 and 2015—and then from all Gulf of Mexico leasing from 2016 forward. Between fiscal years 2008–2010, it led to nearly $30 million in revenue sharing to those states and coastal political subdivisions and will generate significantly larger sums going forward.

Virginia believes it is important to share revenues from oil and gas exploration with all coastal states who allow leasing in a similar way as it is constructed in the Gulf. One recent study (Southeast Energy Alliance) concluded that revenue sharing could mean up to $250 million annually for Virginia if exploration and development moves forward in Virginia's adjacent waters.

Last week, Virginia's Governor joined with the Governors of Alabama, Mississippi, Alaska, South Carolina and Louisiana in expressing their strong support for legislation in the Senate that would allow their states to receive a fair share of the revenues from energy generation and production in the Outer Continental Shelf (OCS). I would ask that a copy of that letter be entered into the record of this hearing.

As these Governors stated, there is more than sufficient cause to justify energy-related revenue sharing. Ocean energy development can place heightened demands on transportation services, the environment, ports, fuel supplies, pipeline and transmission corridors, public health and safety, and other infrastructural, social and natural resources.

Last year's tragic offshore oil spill also showed that such development can carry real consequences—not for the inland states that ultimately use much of the energy being produced, but for the coastal states at water's edge. Returning a reasonable portion of the vast revenues from offshore generation and production to the states, will allow them to be far better prepared to mitigate the resulting risks and impacts. This is an equitable bargain, wherein the states that choose to pursue development receive a deserved portion of its rewards.

States rights are equally important to that of the federal government. Sharing revenue with the states additionally affords opportunities for the states to dedicate funds for important projects that otherwise would not be possible. A current example of such programs can be seen in Louisiana where all money from offshore revenue sharing goes to coastal protection, wetland mitigation efforts, and hurricane protection. Without the offshore revenue sharing program, such funding would likely not be possible.

As you are aware, under the Mineral Leasing Act, all states with energy production on federal lands are rightly entitled to roughly half of the associated revenues—and, like offshore oil and gas, these revenues are derived from resources which belong to the entire nation, not any one state. Thus, the same sort of revenue sharing should apply to states most affected by development of the OCS.

The Mineral Leasing Act allows inland states with mineral leasing to received 50 percent (with Alaska as the exception with 90 percent) of all revenues generated from royalties and bids for onshore oil and natural gas production with the federal government. From 1982 through 2002, royalties from onshore resource revenue sharing was over $11.1 billion, with Virginia receiving just $900,000 during that twenty year period. Providing for revenue sharing for coastal states in offshore development could provide a huge economic impact for states such as Virginia that have not had the benefits of inland oil production.

Today in areas where offshore drilling occurs, coastal states collect 100 percent of the royalties from production in state waters. Under the Outer Continental Shelf Lands Act, seven coastal states, Alabama, Alaska, California, Florida, Louisiana, Mississippi, and Texas, are entitled to 27 percent of the revenue within three miles of their state waters. From 1982 through 2002, this 27 percent in revenue sharing has produced $3.08 billion for these seven states. This revenue sharing program was established to compensate these states for any damage to or drainage from natural gas and oil resources in State waters that are adjacent to Federal leases. The precedent for offshore revenue sharing of federal lease sales has already been set.

As a result of the Gulf of Mexico Energy Security Act of 2006, from 2007 through 2016, the Gulf States of Alabama, Louisiana, Mississippi, and Texas will share 37.5 percent of revenues from new leases in the 0.5 million acres in the Eastern Gulf and the 5.8 million acres in the Central Gulf. After 2016, they will share 37.5 percent of revenues from all Gulf leases issued after December 2006. The Gulf States have seen significant income from offshore resource revenue sharing programs. Virginia and the other coastal states should be afforded similar opportunities for revenue sharing.

As seen during the tragedy of Deepwater Horizon, states are on the front lines of the effects of offshore federal leases, not the federal government. Just as anticipated by the Outer Continental Shelf Lands Act in 1953, states bear the most burden of any damage or drainage from natural gas and oil disasters in federal waters. The states are the first on the scene and the states are the most directly affected. With the events of last summer, we have seen that the Congress of 1953 was correct in providing for revenue sharing to the seven Coastal States. Now is the time to provide for revenue sharing not just for these seven states and within the three mile marker, but for Virginia and any state with offshore federal leases.

Revenue sharing from offshore resources in federal waters is essential. Revenue sharing provides the states with the economic ability to invest in local communities most affected by development and risk. Benefiting local and state governments helps to promote national economic interests and generate additional federal revenue by increasing state and local participation in offshore projects. Revenue sharing also helps to foster a better working relationship between federal, state, and local agencies. Local and state governments will be incentivized to assist in the offshore exploration process by creating necessary infrastructure or passing offshore exploration friendly legislation.

In a recent letter, Senator Jim Webb said, "Development of OCS energy resources, if accomplished with a fair and equitable formula for sharing of revenues between the federal and state government, will attract well-paying jobs and holds significant promise for boosting needed domestic energy production." Governor McDonnell could not agree more.

Again, the precedent for royalty revenue sharing has already been set. Since the 1920's the states have been collecting royalties from onshore federal mineral leases. Since the 1950's seven coastal states have been collecting royalties from offshore federal leases within three miles of their state waters. Since 2006, four coastal states have been collecting royalties from offshore federal leases in any federal waters under GOMESA. Now is the time for Congress to act to provide for all states, not just a select few, with offshore federal leases to receive royalty revenue sharing. Revenue sharing with Virginia and other states can help the budgets of our states and foster stronger national economic interests.

Our national energy needs are too great to not have revenue sharing. We are hopeful that this Committee and this Congress will allow revenue sharing to go forward and the Commonwealth of Virginia stands ready to lend a hand in any way we can.

I look forward to answering any questions the Committee may have.

The CHAIRMAN. Thank you very much, Mr. Secretary, and thank you for adhering to the time.

Chairman Graves, you are recognized for five minutes.

STATEMENT OF HON. GARRET GRAVES, CHAIRMAN, COASTAL PROTECTION AND RESTORATION AUTHORITY, OFFICE OF THE GOVERNOR, STATE OF LOUISIANA

Mr. GRAVES. Thank you, Mr. Chairman, Ranking Member Markey and Congressmen Holt and Wittman. I appreciate you being here and appreciate the opportunity to speak today.

My name is Garret Graves, and I serve as Chair of the Coastal Protection and Restoration Authority of Louisiana, the agency established after Hurricane Katrina to address coastal sustainability issues in the State of Louisiana.

To give a quick background on offshore revenue and production revenues associated with offshore, this shows the various revenue streams that have been generated from offshore production over the last few years. You can see the bonus bids, which is the initial income stream during the auction process, the rental income, which is paid over a monthly process, and then the royalties are based upon the volume production.

It is showing an extraordinary revenue stream. This is one of the largest revenue streams for the Federal Government on an annual basis. I would just make note. In 2008, $18 billion was generated from offshore production primarily in the Gulf of Mexico.

There are five primary reasons why I have heard folks oppose the concept of doing revenue sharing, and they are listed out here. I am going to address the first two. The first two are bad policy precedent and it is a Federal resource and therefore should not be shared.

These are all the policies, all the existing laws that share revenues with states today, so in effect you can see under the Mineral Leasing Act, under the various other programs, virtually all public lands where energy production takes place, the revenues are shared with the states and it is not just at 27 percent, 37.5 percent. Up to 90 percent of the revenues are returned to the states or, as you can see in the column to the right, in some cases the counties.

So in our research I am going to say it again. Every single program that exists today where revenues are produced from energy production on Federal lands, those revenues are shared back with the states.

But make note at the bottom, the Outer Continental Shelf. Yes, the State of Louisiana and other coastal states do share in 27 percent of revenues from production in the three to six mile zone. However, that is explicitly provided for drainage of the common reservoir pool between state and Federal waters. That was for drainage. That is not revenue sharing and it is not impact assistance.

The 37.5 percent from GOMESA, as Ranking Member Markey noted. I want to clarify something very quickly here. The State of Louisiana received a check for $222,000 this year. That $150 billion number that was used a few minutes ago, I have no idea where that is, but I think we need to do a quick investigation, and we would like the rest of the money we are owed. $220,000 is what we were paid based upon about $8 billion in production. About $6 billion of that was attributed to our state. $222,000 is how much we were paid.

This shows the comparison of onshore versus offshore production. So under the Mineral Leasing Act, the State of Wyoming produced about $2.7 billion in revenue in 2008. They received a check for $1.2 billion. New Mexico on the bottom row there produced $1.4 billion and received a check for $600 million. Incredible disparity.

In 2008, we produced again $14.5, or if you include the bonus bids and everything it was about $18 billion. We received a check for $6 million. That was the first year under GOMESA. $6 million that the State of Louisiana received.

This would create an incentive to drill is certainly another concern that I have heard raised. Current Federal law in virtually every case shares 25 to 90 percent of the revenues. So where is the big problem with the incentive that is created in virtually every other public domain that exists today?

In addition, I think it is important to look at states like Florida and California. The whole incentive argument obviously hasn't resonated in those states as they have very much fought production in those areas. I think that there are other ways to mitigate the perception of incentives such as taking snapshot and other mechanisms that have been used in the past.

It will harm the environment is another allegation that has been levied against offshore production. I think it is important to take a look at where we get our oil today, OK? We bring in oil from Mexico, from Nigeria, from Venezuela, from Algeria, from Angola, from Colombia. And you can see here Libya, Syria, China, Taiwan, North Korea. I would argue that the United States has far more stringent environmental standards.

If we are going to protect the environment, and we are concerned about the environment, I think we need to be concerned about the environment for the entire globe and not just the United States. These countries don't hold a candle to our environmental standards, yet this is where we are bringing our energy in from today. So if we are environmentalists, let us be environmentalists for the globe because it certainly does have global consequences.

And then budget consequences. I know some of you may be looking, as was noted earlier, saying what in the world are the states doing asking for revenue sharing today? Do you guys not get cable TV and not realize that we have a budget crisis and that there is a debt ceiling issue?

Yes, we do get cable TV. That is the only way we can watch Swamp People. But I think it is important. You can't afford to not share the revenues. Congress spent $150 billion responding to Hurricane Katrina. $150 billion. Just three years later, about $11 billion responding to Hurricanes Katrina and Ike. Billions of dollars have been authorized, about $15 billion authorized by Congress for ecosystem restoration projects, and much of that is tied back to some of the historic management principles of industrial activities on the Gulf coast.

And then last, Louisiana's coast between the States of Texas and Mississippi measure smoothly about 400 miles. As a result of the degradation of our ecosystem, if you measure all the nooks and crannies of that fragmented coast it is about 7,700 miles long. So instead of fighting the BP oil spill along 400 miles, we had to fight it along 7,700 miles of shoreline.

So you are going to pay. I am going to say it again, and it has been said for decades. The Congress is going to pay for what is going on in coastal Louisiana. You can be proactive and you can pay a lesser amount, or you can be reactive and you can pay exponentially more because that is what is going to happen.

I will stop there, Mr. Chairman. Thank you.

[The prepared statement of Mr. Graves follows:]

Statement of Garret Graves, Chair,
Coastal Protection and Restoration Authority of Louisiana

Chairman Hastings, Ranking Member Markey and Committee members, thank you for the opportunity to share aspects of Louisiana's long offshore energy history with you. My name is Garret Graves and I serve as chairman of the Coastal Protection and Restoration Authority of Louisiana (CPRA). The CPRA was established after Hurricanes Katrina and Rita to serve as the single state agency responsible for hurricane protection, flood control, ecosystem restoration and coastal resiliency. Responsibilities associated with this position include the lead Natural Resource Damage Assessment trustee for the State of Louisiana. In that role and following the 2011 oil spill, I was appointed by the President to serve on the Gulf Coast Ecosystem Restoration Task Force.

The State of Louisiana welcomes the opportunity to provide our perspective related to the development of comprehensive energy policy and how revenue sharing should be part of the larger energy policy of our nation.

For decades, energy activities in coastal Louisiana and adjacent offshore waters have produced billions of barrels of oil and trillions of cubic feet of natural gas. This energy production serves as one of the largest sources of domestic energy in the United States and Louisiana has played a key role in powering this nation's economy. Every barrel of oil and every cubic foot of gas produced in the Gulf of Mexico supplants the need for additional imported energy from foreign sources. At the same time, our coastal area has been cited as the most productive ecosystem on the continent by U.S. Fish and Wildlife Service. Commercial fishermen harvest over two billion pounds of fish and shellfish annually from the Gulf's waters. Louisiana's

unique coastal estuary serves as a nursing ground for 90 percent of these fisheries and supports the lifecycle for 98 percent of the commercially-harvested species in the Gulf of Mexico.

Over 20 million Americans are employed in the Gulf of Mexico region. Many of these jobs are tied to the Gulf's resources. For example, tourism and recreation provide over 620,000 employment opportunities, the seafood industry supports hundreds of thousands of jobs and gulf workers provide up to 27 percent of domestic oil production in the Gulf of Mexico. The waters in the coastal area of Louisiana produce or transport up to one-third of the oil and gas consumed in the United States. The production activities we host benefit the U.S. Treasury from $5 to14 billion annually. This revenue stream is one of the largest segments of annual deposits into the Treasury.

Six of the nation's top 10 ports are on the Gulf Coast. With the deepening of the Panama Canal allowing the transit of larger vessels from Pacific nations, we expect to see an increase in traffic. Louisiana is home to five of the top fifteen ports in the country and our ports and river system currently provide maritime commerce and export capabilities to 31 states. The Mississippi River is truly America's Commerce Superhighway—supporting hundreds of billions of dollars in cargo annually with one of the most efficient transportation modes in the nation.

According to the Bureau of Economic Analysis, the five Gulf States' gross domestic product collectively approaches nearly $2.5 trillion. If the Gulf States' constituted a country, this region would be the world's seventh largest economy.

This impressive economic and ecological activity has been challenged in recent years. Specifically, in Louisiana, we have been hit with Hurricanes Katrina, Rita, Gustav, and Ike in the last six years. In addition, the most recent record high water event on the Mississippi River system has caused a number of tense moments. It is important to note that 40 percent of the continental United States drains through our state. From Montana, to Minnesota to portions of New York—to two Canadian Provinces—the Mississippi River watershed is one of the world's largest.

Despite these extraordinary challenges, Louisiana was on an upward trajectory in recent years and our citizens were committed to a full recovery. Homes were being rebuilt, the economy was recovering and the state was making record investments to restore the ecosystem and improve the resiliency of our coastal communities. In fact, a United States Geological Survey report released just a few weeks ago indicated that our state may have actually grown by up to 200 square miles between 2008 and part of 2010. This apparent coastal wetlands restoration, recovery and accretion follows decades of coastal wetlands loss. The same USGS report confirmed that while 1900 square miles of wetlands have eroded or were lost over the last 80 years, our recent investments and coastal management improvements have contributed to a successful coastal strategy.

The 1900 square miles of land loss is largely attributable to federal efforts to "manage" the lower Mississippi River system. The channelization of the river system has converted a once growing deltaic plain to the greatest source of wetlands loss in the United States. Decades of historic mismanagement of this coastal region have also contributed to this loss. Much of this management was related to commercial development—including building access to energy resources in our coastal area and the construction of pipelines to bring these resources to market in the interest of providing energy to the nation. The wetland policies of the past, which did not benefit from the science we have today, were unsustainable and have been reversed. The State of Louisiana is working aggressively to battle the reality of a channelized river system and make sure that our policies are sustainable. As I pointed out, many of the issues we struggle to address were caused by Federal policies or to fulfill a national need have been stopped, but the scars remain and the damaging effects continue to be felt. Addressing these historic impacts while ensuring resilient domestic energy supplies can only be attained by revenue sharing. The federal government has profited from Louisiana's loss for far too long.

Today, many view the coastal challenges in Louisiana as a parochial issue resulting from local decisions. Nothing could be farther from the truth. The coastal loss our state has experienced for the last several decades is directly tied to federal actions and the entire country has paid the price for these decisions.

After Hurricanes Katrina and Rita every taxpayer in the nation contributed to the $150 billion spent to date within appropriations and other measures put forward to address the nation's worst natural and manmade disaster. Consumers around the country were also paying an extra 75 cents/gallon of gasoline as a result of the impact to energy infrastructure in our state from those hurricanes. In 2008, consumers were faced with the largest gasoline price spike since the Arab oil embargo—an increase of $1.40/gallon nationwide.

The impact to the nation did not stop there. The hurricanes also shut down river traffic where nearly 20 percent of the nation's maritime commerce traverses through our state. The repercussions were far reaching. For example, up to two-thirds of the grains from Midwest farms were unable to get to market due to the storms' impacts upon our coast.

The Deepwater Horizon was yet another example of additional complexities and increased costs associated with coastal loss in Louisiana. As a result of the fragmented, eroded coastal conditions creating nooks and crannies along our coast, our oil spill battles were waged over 7700 miles of linear shoreline. Without the erosion and land loss that has occurred in our state, we may have been able to concentrate our efforts to less than 500 miles if our coasts were less porous and similar to the coasts of Mississippi and Texas.

Mr. Chairman, Ranking Member, the disparity among federal revenue sharing programs must end now. Revenues from energy production on federal lands has continued for decades while virtually no funding has been shared with states for offshore production. Even under the Gulf of Mexico Energy Security Act of 2006, our state received $222,000 in the name of revenue sharing when the Treasury saw more than $5 billion in production revenues from offshore Louisiana. If federal law treated onshore and offshore resources equally, our state would have benefited from a more equitable process that would have provided approximately $2.5 billion and an additional $2 billion would have been sent back to our state for water-related projects. The difference we coastal states suffer from is the fact that under the Mineral Leasing Act, states share in 50 percent of all revenue generated from onshore mineral production on federal lands. And an additional 40 percent is placed into the Reclamation Fund for water projects in those same western states. Only 10 percent of onshore revenues are deposited into the Treasury. In 2009, the states of Wyoming and New Mexico alone shared in over $1.2 billion on $2.5 billion in energy revenues and were able to utilize those revenues in the way each state had decided. That same year, Louisiana received virtually nothing on nearly double the energy production.

Responding to recent hurricanes, taxpayers have paid a significant price by not allowing coastal states to utilize these revenues to address the federal impacts. They will continue to pay exponentially more until Congress acts to address this revenue sharing disparity. Revenue sharing essentially boils down to be an issue of equal treatment, but in doing the proper thing Congress will empower states to take proactive steps to in order to improve the resiliency of our coastal communities and resources.

Decades of inaction for an energy policy that includes revenue sharing has resulted in the loss of lives and increased our trade deficit. Our dependence upon foreign energy has added jobs and funding to the economies of Venezuela, Nigeria, Algeria, Iran, and many other nations that challenge American values. Our lack of an energy policy has also resulted in a net adverse impact to our global environment by increasing production in countries with less stringent environmental regulations and has increased unemployment in the United States.

I urge you to not let another opportunity pass you by. Enact responsible revenue sharing legislation that will allow for coastal states hosting energy production to mitigate historic and prospective impacts from energy production and to make investments in the resiliency of these coastal resources. With adequate support our coastal communities have the potential to produce American energy for decades and play their proper role as part of a comprehensive energy policy.

The CHAIRMAN. The time of the witness has expired. I thank the gentleman.

The next witness is Ms. Alexander, the President of the Taxpayers for Common Sense. The gentlelady is recognized for five minutes.

STATEMENT OF RYAN ALEXANDER, PRESIDENT, TAXPAYERS FOR COMMON SENSE

Ms. ALEXANDER. Thank you. Good morning, Chairman Hastings, Ranking Member Markey and Members of the Committee. Thanks for the opportunity to testify today.

Our mission at Taxpayers for Common Sense is to achieve a government that spends taxpayer dollars responsibly and operates

within its means. I should just note at the outset as an organization we don't oppose offshore drilling or energy development domestically. That is not our position. We look out for the taxpayer and taxpayer dollars.

For the past 15 years, TCS has actively worked to ensure that taxpayers receive a fair return on resources extracted from Federal lands and waters. As the rightful owners, taxpayers are entitled to fair market compensation for the resources extracted from our lands and waters, as would any private resource owner.

Taxpayers for Common Sense is opposed to any measure that would reduce the Federal share of royalty payments—particularly at this moment as we face a burgeoning Federal debt crisis and enormous deficits, siphoning billions of dollars in valuable revenue from the general treasury is inappropriate.

Furthermore, altering these shares would do nothing for the bottom line of the oil and gas, wind or other offshore developers. They would owe the same royalties, rents and fees at the end of the day either to the states or the Federal Government.

Federal waters are administered, protected and managed by Federal, not state agencies, at a cost to Federal taxpayers, and the revenue derived from the sale of these resources should be returned to the Federal Treasury. Unlike onshore energy operations, offshore operations do not occur within state boundaries, and the impact for operations in Federal waters has national implications.

The newly created Office of Natural Resource Revenue is responsible for royalties due on conventional and renewable ocean energy and mineral resources on 1.4 billion acres of U.S. Outer Continental Shelf, as well as onto our Federal and Indian lands. The agency is charged with ensuring fair collection, calculation and distribution of royalties on behalf of the American taxpayer.

Revenues from the collection of royalties represent one of the largest non-tax income sources to the Federal Government. The ONRR collects nearly $10 billion in revenues annually in royalties, rent, bonuses and fees from resource extraction on Federal lands and waters. In Fiscal Year 2010, more than $3.8 billion of these revenues came from resource development in Federal waters.

Offshore energy development is not managed by ONRR alone. Safety, leasing and environmental regulations on offshore development are carried out by the Bureau of Ocean Energy Management, Regulation and Enforcement. Substantial Federal funds are directed to both ONRR and BOEMRE, a bad acronym, annually. In fact, this week the House is considering the Department of the Interior, Environment and related agencies' appropriations bills, which provide $138.6 million for ocean energy management under BOEMRE and $109 million for royalty management to the Office of the Secretary for ONRR.

Finally, on top of the costs that fall to the taxpayer for BOEMRE and ONRR, the U.S. Coast Guard, not the states, inspects and regulates offshore drilling rigs, as well as performs vessel regulation, search and rescue, security and pollution response.

To be clear, states do get money from state waters. All Americans get the revenue from Federal waters. Federal waters are more than six miles off the coast and nine miles in certain part in the

Gulf of Mexico. State waters are within three miles of their respective shorelines.

The coastal states where offshore drilling takes place already receive significant revenue from royalty payments. States receive 100 percent of the revenue generated within state waters. Additionally, under Section 8[g] of the Outer Continental Shelf Lands Act they receive 27 percent of the royalty payments for development in waters within three to six miles of their coast, about a quarter of a billion dollars in Fiscal Year 2010. For the remaining exclusive economic zone out to 200 miles, the royalty revenue is returned to the rightful resource owner, the Federal taxpayer.

Federal taxpayers have already lost significant income from Federal resources in the Gulf of Mexico. In 2006, the Gulf of Mexico GOMESA, as we have been talking about, gave the Gulf states 37.5 percent of the royalty income for certain newly opened areas of the Federal waters of the Gulf, and beginning in 2016 they will receive 37.5 percent of royalties from new leases throughout the Gulf's Federal waters up to $500 million annually.

Royalties collected from offshore drilling in Federal waters should be returned to the rightful resource center, the Federal taxpayer. The Federal Government manages and secures operations off our coast, and the taxpayers bear the cost of these service. The impacts of drilling in Federal waters have national implications. Costs and benefits should be carried out in the interest of all Americans, not a handful of coastal states.

The country is now facing $14.3 trillion in debt and an annual deficit of more than $1.4 trillion. Many, many things need to be done to resolve our fiscal woes, not the least of which is ensuring that Federal taxpayers get the revenue they deserve from the resources that they own.

[The prepared statement of Ms. Alexander follows:]

Statement of Ms. Ryan Alexander, PresidentTaxpayers for Common Sense

Good morning Chairman Hastings, Ranking Member Markey and distinguished members of the committee. Thank you for the opportunity to testify today. My name is Ryan Alexander and I am President of Taxpayers for Common Sense (TCS), a national, non-partisan budget watchdog organization. Taxpayers for Common Sense's mission is to achieve a government that spends taxpayer dollars responsibly and operates within its means.

Over the last fifteen years, TCS has actively worked to ensure that taxpayers receive a fair return on resources extracted from federal lands and waters. Royalties and fees collected from resource development represent a valuable source of income for the federal government and should be managed and accounted for in a fair and accurate manner. As the rightful owners, taxpayers have the right to fair market compensation for the resources extracted from our lands and waters, as would any private landowner.

Taxpayers for Common Sense is opposed to any legislative measure that would alter the existing federal-state revenue sharing provisions for royalty payments. For many reasons that I will explain, this is an irresponsible action. However, in the face of a burgeoning federal debt crisis, siphoning billions of dollars in valuable revenue from the general treasury is downright foolish. Furthermore, altering these shares would do nothing for the bottom line of the oil and gas, wind, or other offshore developers—they would owe the same royalties, rents and fees at the end of the day either to the states or to the federal government.

As you know, oil and gas companies that drill on federal and Indian lands or offshore pay royalties for the oil, gas, and other minerals they remove. Generally, this payment is a percentage of the total value of the minerals extracted. More recently other energy resources, such as wind, are also being leased on federal lands and waters and royalties paid to federal taxpayers.

Federal waters are administered, protected, and managed by federal—not state—agencies at a cost to federal taxpayers, and the revenue derived from sale of these resources should be returned to the federal treasury. Unlike onshore energy operations, offshore energy operations do not occur in a state and the impact for operations beyond state waters reaches well beyond any one state and has national implications.

History of Offshore Energy Production and Royalties

In the early 20th century oil and gas operators successfully extracted oil and gas from underneath our nation's waters. The first successful underwater well was just offshore near Santa Barbara, California.[1] Oil was extracted there through the creation of a long pier—using this method operations were never much further than a 1,000 feet off the shore. But by the late 1940s oil and gas development had moved to offshore platforms.

From its beginning, offshore revenues were an important source of federal dollars. Shortly after the success of the first barge and platform system, roughly 10.5 miles from the Louisiana coast and operated by Kerr-McGee, the offshore oil and gas industry experienced rapid growth.[2]

By the 1950s production was rising so high that offshore operations became a significant revenue generator for the country. Disputes over water rights and leasing became a problem and the Outer Continental Shelf Lands Act (OCSLA) of 1953 was enacted to manage the operations beyond state waters.

The federal government was also charged with collecting royalties for extracted resources from publically owned lands and waters. This responsibility fell to the Department of the Interior (DOI). After there were problems with fiscal accountability of resource operations, President Reagan created the Linowes Commission to review the process and investigate the underpayment of royalties.[3] Shortly thereafter the Minerals Management Service was created within DOI to manage offshore operations and collect royalties. From 1982-2010 the Minerals Management Service oversaw offshore energy production and collected and distributed royalties for minerals extracted from federal and tribal lands and waters.

Federal Waters are Federally Managed and Taxpayer Funded

Formerly the responsibility of the Minerals Management Service, the recovery of royalties for resource development in federal waters now falls to the newly created Office of Natural Resource Revenue (ONRR) housed within the Secretary's office in the Department of the Interior. ONRR is responsible for royalties due on conventional and renewable ocean energy and mineral resources on 1.7 billion acres of the U.S. Outer Continental Shelf (OCS) as well as onshore federal and Indian lands. This new agency is charged with ensuring fair collection, calculation, and distribution of royalties on behalf of the American taxpayer.Revenues from the collection of royalties represent one of the largest non-tax income sources for the federal government. The majority of this revenue comes from offshore natural gas production—approximately 60% of royalty revenue comes from natural gas. The ONRR collects nearly $10 billion in revenues annually in royalties, rents, bonuses and fees from resource extraction on federal lands and waters. In fiscal year 2010, more than $3.8 billion in these revenues came from resource development in federal waters offshore. In addition to directing money to the federal treasury, under federal law ONRR also distributes this money to states, American Indian Tribes, Land and Water Conservation Fund, the Reclamation Fund and the Historic Preservation Fund.

Offshore energy development is not managed by ONRR alone. Although originally tasked fully to MMS, in the recently created system, safety and environmental regulations on offshore development are carried out by the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE).

Substantial federal funds are directed to both the ONRR and the BOEMRE annually. In fact, this week the House is considering the Department of the Interior, Environment, and Related Agencies Appropriations Act for fiscal year 2012, which provides funding for both the ONRR and BOEMRE. This year's Interior bill includes an appropriation of $138,605,000 for ocean energy management under BOEMRE. It also provides $109,364,000 for royalty management to the Office of the Secretary for the ONRR.

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[1] http://www.oilspillcommission.gov/sites/default/files/documents/A%20Brief%20History%20of%20Offshore%20Drilling%20Working%20Paper%208%2023%2010.pdf

[2] http://www.oilspillcommission.gov/sites/default/files/documents/A%20Brief%20History%20of%20Offshore%20Drilling%20Working%20Paper%208%2023%2010.pdf

[3] http://www.dtdeal.com/pdf/chronology-valuation_royalty_relief1980–2008.pdf

Finally, on top of the costs that fall to the federal taxpayer for BOEMRE and the ONRR, the U.S. Coast Guard, not the states, inspects and regulates the off-shore drilling rigs as well as performs vessel regulation, search and rescue, security and pollution response.

Coastal States Royalties from Offshore Drilling

To be clear, states get the money from waters dedicated to the states under federal law. All Americans get the revenue from federal waters. These waters are more than six miles from the coast, and nine miles in parts of the Gulf of Mexico. State waters are within three miles of their respective shoreline.

The coastal states where offshore drilling takes place already receive significant revenue from royalty payments. States receive all the revenue generated within three miles of their shoreline. Additionally, under section 8(g) of the Outer Continental Shelf Lands Act, states receive 27% of royalty payments for development in waters within three to six miles of their coasts—about a quarter billion dollars in FY2010. For the remaining exclusive economic zone—out to 200 miles—the royalty revenue is returned to the rightful resource owner, the federal taxpayer.

Additionally, states benefit from offshore operations in direct and indirect jobs such as service operations supporting offshore development, and more directly affiliated jobs such as commercial industries in gas processing and oil refining. Without directing the royalty payments to the states from federal waters there is still benefit to coastal states that pursue offshore drilling.

Gulf of Mexico Energy Security Act Already Siphons Taxpayer Dollars

Federal taxpayers have already lost significant income from federal resources in the Gulf of Mexico. The Gulf of Mexico Energy Security Act (GOMESA) in 2006 gave the Gulf states an even larger share of federal revenues. They receive 37.5% of the royalty income from certain newly opened areas in federal waters of the Gulf, and beginning in 2016 they will receive 37.5% of royalties from new leases throughout the Gulf's federal waters, up to $500 million annually.

GOMESA's large payments to the Gulf states were justified as mitigation for damage to Gulf coastal wetlands and environment due to past impacts of oil and gas development. In fact, the law restricts the states to use the money only for a range of purposes affecting these coastal areas, in order to meet a specific federal purpose for coastal wetland restoration. Whether or not this is a reasonable expenditure of federal money, it is directed at addressing a kind of damage that modern coastal and wetlands regulation should prevent. Revenues from any increase in oil and gas development off other states will not need to be directed to such mitigating for past harms, and there is no justification for simply giving the states a blank check from the taxpayers' money.

Directing Royalties to States in Federal Waters Poses an Enormous Political and Logistical Challenge

Beyond the limited state waters designated in federal law (extending 3 to 6 miles from shore), there are simply no state boundaries in federal waters. Drawing boundaries for states and determining the recipient for the increased state revenues for waters so far offshore would be a legal and technical nightmare. The division of revenue among the states in the GOMESA legislation represented a political compromise that would be indefinitely more complicated along other U.S. coasts.

For example, states with concave or convex of the coastlines may have difficulty determining boundaries or agreeing on where their state's interests lie. The proposal for leasing wind offshore Rhode Island and Massachusetts was delayed nearly a year by negotiations between the states.

Offshore Drilling in Federal Waters is Important Revenue

At a time when the country faces a $14 trillion debt discussing the prospects of diverting federal royalties to the states would only put more financial stress on the already pressed federal coffers. It is clear the federal government needs this valuable source of revenue that is rightfully due to all Americans now more than ever.

As required by the 2005 Energy Bill, in 2006 the DOI completed an inventory of existing oil and gas offshore reserves. They estimated 8.5 billion barrels of oil and 29.3 trillion cubic feet (tcf) of natural gas. Nearly all of this lies in federal waters-siphoning this money to a few states could cost taxpayers billions annually in rightfully owed revenue.

Federal Waters Belong to All U.S. Taxpayers

Royalties collected from offshore drilling in federal waters should be returned to the rightful resource owner the federal taxpayer. States receive revenue from royalties collected within state waters and the transitional area between state and fed-

eral waters (3–6 miles from shore). Furthermore, the federal government manages and secures operations off our coasts and the taxpayer bears the cost of these services. The impacts of drilling in federal waters have national implications. Costs and benefits should be carried out in the interest of all Americans, not a handful of coastal states.

The country is now facing a $14 trillion debt and an annual deficit of more than $1 trillion dollars. Many things need to be done to resolve the nation's fiscal woes. Not the least of which is ensuring federal taxpayers get the revenue they deserve for the resources they own.

The CHAIRMAN. I thank the witnesses for their testimony.

Let me start the questioning first. I will just make an observation that I think needs to be made, and that is simply if we are not drilling offshore there is no revenue coming in, but if we start drilling and we share it there still is revenue coming in to the Federal Government. So to suggest that this is a cost associated, I really have sometimes a tough time understanding that argument.

Secretary Domenech, my first question is to you. You noted in your testimony that Virginia was the first on the Atlantic Coast to have a potential lease sale. That of course has since been postponed to a minimum of 2017. You also testified that Virginians by and large through the public comment period support this very, very much.

You are not entitled under current law to the same revenue sharing under GOMESA as the other Gulf states, but yet you say this is an incentive. Could you explain probably in more detail how this incentive of revenue sharing would enhance and be accepted by Virginians off the coast?

Mr. DOMENECH. Thank you, Mr. Chairman, for that question. You are correct. Virginians and, as I mentioned, our delegation here in Congress has been very supportive of pursuing offshore development, primarily through Lease Sale 220.

Our General Assembly has identified several ways they would like to spend the money that would come in from such an effort, but primarily these funds will allow us to develop the sort of safety infrastructure we need for this development to go forward, and the way we see it right now the Federal Government shares revenue with inland states off of lands owned by the Federal Government, so that is happening already the same way the Outer Continental Shelf development revenue should be shared with coastal states. So it does give us an opportunity and incentive to pursue additional efforts to develop offshore Virginia.

The CHAIRMAN. Good. I appreciate that, and I also note too that I know Mr. Wittman and I have had a number of conversations about this, but I also note that both the Senators from the Commonwealth are very supportive of this, which I think probably reflects a view of most Virginians.

Mr. DOMENECH. That is correct.

The CHAIRMAN. Chairman Graves, you spoke about the need of revenue sharing to mitigate certain obvious energy production on the states, and you noted, as Secretary Domenech did, that states also share revenue.

As we move forward on this, do you have any feedback on how the formula of GOMESA should be addressed perhaps differently? The graph you put up there was rather stark. Would you have

some comments on the formula as we move forward with revenue sharing?

Mr. GRAVES. Absolutely. Mr. Chairman, I think it is important to recognize the fact that coastal Louisiana has a long history in energy production and literally fueling this nation's economy.

Last time I added it up I think offshore our state alone, we had generated about $150 billion for the United States Treasury with no revenue sharing and so I think that it is important that as formulas be developed that, first of all, there be some recognition for the areas that were the guinea pig for offshore energy production and, to be candid, did experience some impacts as we have gone through and improved technology.

So I think that is an important component. Another one is I think production volumes, current production volumes. I think that as GOMESA has included items like the length of the shoreline and the coastal population, I think they are relevant, but I think the key items are historical production and current production rates.

The CHAIRMAN. Let me just try to expand that because in your testimony you mentioned that Wyoming and New Mexico used their revenues in a way. Do you think that there should be more flexibility for states receiving revenue sharing?

Mr. GRAVES. I do think that it should be a state's decision to determine how the impact should be addressed, how those funds should be used. In the Mineral Leasing Act, as you know, there are absolutely no conditions on the use of those funds.

I know in the past, particularly under the Coastal Impact Assistance Program (CIAP), we have run into extraordinary challenges with Interior approving some of the coastal uses that we believe are very clear.

The CHAIRMAN. Good. Well, I look forward to pursuing this as we move forward after the August recess. My time has expired, and I recognize the gentleman from Massachusetts, the Ranking Member.

Mr. MARKEY. Thank you very much. Mr. Graves, I do agree with you that the Gulf states have been used as guinea pigs, and we saw a tremendous—maybe the worst—environmental disaster of all time last summer.

There has not been yet any legislation produced in this Congress that would implement the safety recommendations from the blue ribbon BP Spill Commission. Would you support putting those recommendations on the books so that we implement the safety lessons from that Spill Commission?

It is a guinea pig, yes, but we learned the lessons and now we are going to put the safety measures in place.

Mr. GRAVES. Congressman, I think that I did read the report months ago when it came out. I do recall there being some very appropriate recommendations in that report and attempts to improve safety; improve industry I think in addition to looking at some of the efforts that the industry has undertaken.

Mr. MARKEY. But none of the recommendations of the BP Spill Commission have been put on the books yet, so would you support us adopting legislation to accomplish that goal so that the guinea pig doesn't have a successor incident?

Mr. GRAVES. Congressman, I will say two things in response. First of all, I think that there were a number of very appropriate recommendations that were included in that report, and I would be happy to go through and——

Mr. MARKEY. Would you support——

Mr. GRAVES. Not all the safety recommendations. No, sir. I would be happy to go through.

Mr. MARKEY. OK. Do you want those recommendations put on the books or not?

Mr. GRAVES. Again, Congressman, in total, no. I think that there were some very valid recommendations.

Mr. MARKEY. Do you think we should raise the liability cap from $75 million for the oil industry——

Mr. GRAVES. I do.

Mr. MARKEY.—so that they should be responsible for the unlimited damages which they cause? Do you agree with that?

Mr. GRAVES. I do. I do. And to be clear, Congressman, I agree with you that I do not believe that current law was appropriate or was sufficient in responding to the BP oil spill.

Mr. MARKEY. Yes. I think that might be a good subject for us to twin here as well as we are moving forward so that we understand that this isn't just going to be a one-way street, that it is just anything the oil and gas industry wants, but that we have the concomitant safety recommendations put on the books as well.

Ms. Alexander, I know you haven't had a chance to review the legislation which Mr. Holt and I are going to introduce to take back that $150 billion which in retrospect we couldn't afford in the end of 2006. Would you be supportive of ending those kind of giveaways of Federal money to the states, given what we realize is a fiscal calamity that we are facing as a country?

Ms. ALEXANDER. You know, I should say I haven't reviewed the legislation. We would have to take a look at it, but since in general we do think that revenues from Federal waters should go back to the Federal taxpayers, we would obviously be inclined to look favorably on legislation that would reverse that.

Mr. MARKEY. So you see this bill as well or the potential proposal which will emanate from the hearings which we are having today. How do you view that in terms of the potential harm to the Federal taxpayers and the bond rating of our country, which obviously is very fragile?

Ms. ALEXANDER. Well, I think that at this moment when there is clearly very little appetite if you look at the entire Congress for raising taxes and there is a need for revenue; there is still some appetite for some services from government, although obviously a lot of controversy about what those should be, I think it is just the wrong time to take revenues away from the Federal coffers.

These are Federal waters. They are six miles or nine miles or more off the shores of states. It would be difficult to map them. You know the consequences, as Mr. Garret said. The consequences are going to be paid for by the Federal Government. They are. So I think taking the revenue away from the Federal taxpayers is the wrong thing to do.

Mr. MARKEY. Now, in April, May and June of 2010, BP, because of their negligence off of the coast of Louisiana, created the worst

environmental disaster in history. In April, May and June of 2011, they have just reported $5.6 billion worth of profits, but the Majority is insisting that notwithstanding those historic profits that they continue to keep tax breaks, which obviously are not needed to get them to go out there and to drill.

Do you think it is a good idea for us as part of any grand bargain to reclaim those $4 billion a year in tax breaks which we give to big oil to drill where they are going to drill anyway because they are like fish swimming and birds flying? The oil company is drilling, and they are making huge profits.

Ms. ALEXANDER. You know, we have been on record for a long time for repealing the vast majority of oil and gas tax breaks, so I think this is an industry that has ample market incentives to encourage production to keep going. The market should be sufficient to encourage the kind of production that we need to maintain our energy needs.

I think the more our position as an organization is that the energy sector needs to kind of come back from the Federal subsidies and get a more level playing field by reducing the oldest and biggest subsidies first. You know, some of the oil and gas subsidies have been on the books for 100 years. It is hard to say that they are getting off the ground.

Mr. MARKEY. Thank you, Ms. Alexander.

The CHAIRMAN. The time of the gentleman has expired. The gentleman from Virginia, Mr. Wittman?

Mr. WITTMAN. Thank you, Mr. Chairman. I would like to thank the members of the panel for joining us today.

Secretary Domenech, let me begin with you and ask this just in general. When Virginia gets the opportunity to produce energy offshore, can you give me some indication about how many jobs that would relate to for Virginia?

Mr. DOMENECH. Thank you very much for the question. There have been several studies estimating the numbers of jobs and so it fluctuates somewhat, but it is roughly between 5,000 and 15,000 jobs associated, depending on what you include, so an enormous job creation machine.

Mr. WITTMAN. And under that scenario, do you believe that there should be a revenue sharing structure similar to that for the Gulf states?

Mr. DOMENECH. We do.

Mr. WITTMAN. Can you give us a little idea about under that structure then what Virginia would like to, first of all, do with those revenues? You spoke a little bit about the General Assembly having some plans for those revenues. I would like for you to go ahead and let us know a little more about that.

And then do you believe that the state, when given that possibility of those revenues, should have the flexibility as to how to spend those revenues? So I guess it is a two-part question. One is where would the proposed revenues go, and how would you like the flexibility to be able to spend those revenues?

Mr. DOMENECH. Well, I think answering the second one first, flexibility is always a good thing because you never really know where you might need the money, but in general our General Assembly has said that we would like to target transportation infra-

structure in the state. We want to target green energy incentives in the state.

Third, we want to make sure that those funds go to build the kind of safety infrastructure that is needed to protect our coast with the most up-to-date, state-of-the-art environmental safeguards that can respond to a potential spill.

Mr. WITTMAN. Let me ask this too. Do you see the potential there also with this? Obviously there is a military element to this with the potential impact on military operations there. I think many of those things we have been led to believe can be worked out, but do you believe also that those revenues might have an applicability to military families?

And then we had heard about concerns about coastal communities, both from yourself and Chairman Graves. Do you also believe that there is an element there that Virginia could consider as far as impact of those funds to assist coastal communities?

Mr. DOMENECH. Well, yes. A vast majority of the funds would stay in the coast area. That is going to benefit all the economy and the coast.

I was at a DOD conference in Nashville just yesterday speaking with a number of the folks who are involved in siting that lease sale, and they are very open to the idea of moving lease blocks around our offshore area to accommodate their training concerns.

Mr. WITTMAN. Very good. I know in my conversations with them they have expressed that same flexibility to make sure that obviously we are keeping in mind their needs, but also them keeping in mind the needs for energy development here in the United States, so that is a great point.

I want to go to Chairman Graves and ask a question. I serve on the Migratory Bird Commission, and we talk a lot about the revenues that come in and how it goes to protect wetlands and specifically migratory bird habitat. Can you give me a little insight as to how revenue sharing for Louisiana has been used to restore and protect migratory bird habitat?

I know with the spill there was a lot of concern about the habitat there and the impact on especially early migrating ducks like teal, but anyway I just wanted to get your perspective on that.

Mr. GRAVES. Yes, sir. Thank you. Congressman, coastal Louisiana is the largest wintering habitat for waterfowl and migratory species in the United States. Literally tens of millions of birds winter in South Louisiana and the coastal area.

Under our Constitution—in fact, there is a constitutional amendment that passed with the highest margin of any constitutional amendment in our state's history—all funds from GOMESA, from Coastal Impact Assistance, are dedicated to improving the resiliency of the Gulf coast.

So the majority of those funds have actually been spent on ecosystem restoration, trying to re-establish, trying to improve the resiliency of habitat for many of those migratory bird and waterfowl.

Mr. WITTMAN. Thank you, Mr. Chairman. With that, I yield back.

The CHAIRMAN. I thank the gentleman and recognize the gentleman from New Jersey, Mr. Holt.

Mr. HOLT. Thank you, Mr. Chairman. Thank you. Thank you to the witnesses.

I have a couple of questions about Virginia, if I may, Mr. Domenech. Do you know how much revenue Virginia has received over the life of the Land and Water Conservation Fund?

Mr. DOMENECH. I am afraid I do not.

Mr. HOLT. Do you have any idea?

Mr. DOMENECH. I don't.

Mr. HOLT. Do you think it is in the hundreds of thousands or the tens of millions?

Mr. DOMENECH. My guess would be tens of millions.

Mr. HOLT. Yes. OK.

Mr. DOMENECH. Would I be right?

Mr. HOLT. I think that would be right. You know, we are now celebrating or recognizing an anniversary of a period of time difficulty, some minor disagreements in this country that happened in the early 1860s, in the mid-1860s, and at that time there was a change that took place in the United States. We stopped talking about the United States as a plural, the United States are, and we began talking about the United States is.

About a hundred years later when this Congress, a Congress, passed the Land and Water Conservation Fund, it was recognized that depleted resources offshore should somehow be balanced with acquisition of resources on land. The revenues that came from the Gulf or California or other places benefitted Virginia and North Carolina with a very clear recognition that these were resources that belonged to the United States singular.

Now, I know you say you would like to use the revenues from offshore drilling which might start coming in sometime after 2017 or some decades after 2017 to improve your ability to respond and have good environmental protection and so forth.

So does that mean that you would be willing or your Governor would be willing to sign a statement binding the state to not use the resources in the event of a spill maybe on the scale of what we saw in the Gulf, not using the resources of the United States Coast Guard or not using the resources of other agencies, EPA or NOAA, or that you would only sue in state court to recover from the guilty parties' damages, or that you wouldn't ask for a Federal disaster declaration in the event of one of those environmental catastrophes?

Mr. GRAVES. I assume it is a rhetorical question.

Mr. HOLT. Well, it is an actual question. Would you say that you wouldn't be looking for the resources of the United States of America, that they are Virginia's resources, Virginia should get the revenue, Virginia should have the responsibility for any cleanup?

Mr. GRAVES. Well, I would respond to that as saying we don't think of them as Virginia resources. We recognize that out three miles beyond our state waters it is Federal resources.

Just like on land the Federal Government drills oil and gas resources off of BLM land or other lands that belong to the Federal Government and they share the revenue and royalty resource with the state onshore, we feel the same should apply offshore.

Mr. HOLT. Well, Mr. Chairman, let me just finish by saying that as we debate on the Floor a piece of legislation that has been char-

acterized as the worst environmental legislation in the history of the U.S. Congress, which is probably a little bit of hyperbole, but an appropriations bill that clearly is from my perspective bad for the environment in a number of ways, that we should be using revenues, at least the full share of the 12.5 percent I guess it is, from offshore drilling for the Land and Water Conservation Fund and for other environmental protection and not to return to the general fund of any governmental organization. Thank you.

The CHAIRMAN. The time of the gentleman has expired. Of course, we are talking about revenue sharing, but since you brought up the Interior bill obviously beauty is in the eyes of the beholder.

The gentleman and I have a different view on that. I think Chairman Simpson has brought forward a very responsible bill, given the fact that we have a $14.3 trillion deficit, as only one issue.

With that I recognize the gentleman from Ohio, Mr. Johnson.

Mr. JOHNSON. Thank you, Mr. Chairman. I could not agree with your comments more. Right on target. Thank you for holding this hearing.

You know, the current status quo for revenue sharing is unbalanced and provides disincentive to the majority of coastal states to push forward and allow offshore exploration and development. Now, I represent Eastern and Southeastern Ohio, so my state isn't directly affected by this unbalanced plan. However, my constituents have made it clear that they want to see America produce more of its own energy, and that comes from tapping into our own natural resources.

In this time of crisis over our out-of-control Federal deficit, there is a concern that now is not the time for the Federal Government to further engage in offshore revenue sharing. Now, I find it ironic that the other side of the aisle seems to have suddenly found religion on addressing our nation's debt, and I have two suggestions that I think might address some of their concerns.

First of all, they should support the Republican deficit reduction plan tomorrow that will cut at least a trillion dollars of discretionary spending over the next 10 years, while also setting up a bipartisan commission to address mandatory spending. But, second, they should support more offshore energy production of all kinds.

If the other side of the aisle is truly worried about a loss of taxpayer dollars through revenue sharing, there is a simple solution to this issue, and that is to produce more. There is no secret equation here. More energy production on Federal offshore lands means more Federal revenue. This Committee and the full House passed three offshore energy bills that would cut through the red tape currently holding them back and allow the American people to unleash—to begin to unleash—our own natural resources.

Just a couple of questions to start out with. Ms. Alexander, do you believe that we should repeal onshore revenue sharing? You have testified that you think we should not do offshore revenue sharing and you are opposed to that for oil and gas. What about onshore revenue sharing? Do you think we should repeal that too?

Ms. ALEXANDER. We would look at any proposal to do that. I think that onshore is different from offshore. I think that Federal

lands within state boundaries are different than Federal waters in three miles out.

Mr. JOHNSON. How so?

Ms. ALEXANDER. I think they are within state boundaries. Federal waters are six miles offshore.

Mr. JOHNSON. But they are still Federal lands. They are resources that belong to the American people.

Ms. ALEXANDER. That is right. And as I say, we would look at them. We might welcome them.

Mr. JOHNSON. Do you believe we should prohibit sharing of revenue from wind and tidal energy?

Ms. ALEXANDER. Yes.

Mr. JOHNSON. They are offshore.

Ms. ALEXANDER. Yes.

Mr. JOHNSON. OK. So what is the distinction? Because there is a dichotomy here that I don't understand. You are opposed to revenue sharing for oil and gas.

Ms. ALEXANDER. And we are opposed to revenue sharing for wind and tidal.

Mr. JOHNSON. You are opposed to revenue sharing——

Ms. ALEXANDER. Yes.

Mr. JOHNSON.—for wind and tidal?

Ms. ALEXANDER. Yes. Yes. We don't have a distinction there.

Mr. JOHNSON. So you are basically opposed to any offshore revenue sharing.

Ms. ALEXANDER. For Federal waters, yes, right now.

Mr. JOHNSON. OK. That is very interesting. I don't understand the distinction between Federal lands that are onshore and offshore, and certainly the American people I believe share that concern, again back to the Chairman's comments, about having a $14.3 trillion national debt. We are in the middle of debt crisis. We are trying to put Americans back to work. This seems to be an ill-advised strategy.

Secretary Domenech, in your testimony you described how the local infrastructure will need to be expanded and maintained should offshore drilling take place off the coast of Virginia. Can you give an estimate of what this cost would potentially be for the state and for the local governments along the coast?

Mr. DOMENECH. Thank you for the question. Unfortunately, we don't have an estimate that I can give you at this time. We are primarily looking at our sister states like Louisiana that have recovered from or are in the process of recovering from the Deepwater spill to learn the lessons there so we can apply new lessons to Virginia.

And of course Secretary Salazar and Director Bromwich have announced a new lease sale in the Gulf at the end of the year, so we are confident that the kind of safety regimes that they have identified are good to go at this point, so we are trusting that.

Mr. JOHNSON. OK. Mr. Chairman, I am going to yield back with a closing comment here. You know, this seems to be further indicative. Ms. Alexander's testimony and the answers to her questions here seem to confirm my concern that this is the Administration of "No." No to putting America back to work. No to tapping into

America's natural resources. No to establishing a national energy policy. And with that I yield back.

The CHAIRMAN. I thank the gentleman, and his time has expired. I recognize the gentlelady from California.

Mrs. NAPOLITANO. Thank you, Mr. Chair. I have a couple questions for Mr. Domenech.

Last week, and I have a copy of the Washington Post item, Moody's Investor Service said that if the United States loses its top credit rating as failing to raise the limit on Federal borrowing, Maryland and Virginia could also be downgraded because their economies are so dependent on Federal spending.

Do you support repealing the giveaway to these four Gulf states to help reduce the deficit and avoid a default, which could be a disaster to the State of Virginia? And while you may not be getting a lot of money now, 2018 will be a windfall.

The followup question to that would be to ask if you understand. I understand why Mr. Graves is supporting the $150 billion giveaway to the Gulf states because his state benefits from that giveaway. Mr. Graves' state and three other Gulf states have really put one over the other 46 with that law and absolutely be up there defending it, but the money that could and should be used to help the residents of your State of Virginia is important also.

That should be used to help reduce our deficit, and I can't understand why you should support diverting money away from the residents of your State of Virginia to help the people of Louisiana. Would you explain that?

Mr. DOMENECH. Well, I don't know if it is me or my colleague here from Louisiana, but from our perspective we would not support repealing the revenue sharing provisions that are in GOMESA, as well as all of the other ones that were detailed earlier from payment in lieu of taxes to onshore royalty relief. Congressman Holt mentioned Land and Water Conservation Fund, which of course is a mutually beneficial program for the entire nation.

So their energy provides lots of incentive, a lot of power for the country. We think that America needs energy. The best way to incentivize states to participate in energy production is to allow revenue sharing. It gives us the ability to put in place the type of safety and infrastructure we need to do it safely.

Mrs. NAPOLITANO. Yes, sir?

Mr. GRAVES. Yes, ma'am. I just want to clarify that this $150 billion, that is a pipedream. We got a check for $222,000 this year, so there were several zeroes missing from our check if we were supposed to get——

Mrs. NAPOLITANO. No. That is not until 2018 when the windfall kicks in.

Mr. GRAVES. Congresswoman, with all due respect, there is not a chance that the Gulf states are going to share anything close to $150 billion.

Mrs. NAPOLITANO. Well, that is what the Department of the Interior is telling us.

Mr. GRAVES. I assure you—I am one of the guys who wrote the bill—it is not happening. That is just inaccurate. If we want to deal with facts, we can deal with facts.

I think it is important to look at things like the Deepwater Royalty Relief Act that was passed in 1996 looking at the projections from the Department of the Interior and the revenue that was coming in at that time versus what happened, the huge spike in revenue, the additional revenue to the United States Treasury and the benefit to the Treasury that I know TCS, for example, is concerned about. So there is a major dynamic scoring issue that I think is important to look at.

Mrs. NAPOLITANO. We need to take a further look at it then.

Mr. GRAVES. Yes, ma'am.

Mrs. NAPOLITANO. Ms. Alexander?

Ms. ALEXANDER. I just want to clarify one thing for the Members of the Committee that are still here. Our organization doesn't oppose additional development in offshore waters or on land. We don't oppose additional development.

Mrs. NAPOLITANO. I understand.

Ms. ALEXANDER. We want Congress to treat our Federal waters and our Federal lands as if they had a fiduciary duty to the taxpayer and make sure that as owners of those resources we are getting the revenues we deserve.

Mrs. NAPOLITANO. OK. Thank you. To both Mr. Domenech and Mr. Graves, I would like to ask who is responsible for bearing the cost of administering the Outer Continental Shelf?

Is it correct that the Federal Government and specifically the Coast Guard is responsible for all maritime safety and security search and rescue operations, ensuring offshore aid to navigation are maintained and maintaining intracoastal waterways? Is it also correct that the Federal National Marine Fisheries Service has responsibility for managing all fisheries found in Federal waters?

So given this, in administering the Outer Continental Shelf why shouldn't revenue derived from these resources on the Outer Continental Shelf be returned to the Federal Treasury to help offset the cost of all the activities?

Mr. DOMENECH. The Federal Government can spend its portion of the revenue in supporting those activities. The state has costs of our own to support those activities and so we just see it as an equitable arrangement.

Mrs. NAPOLITANO. Equitable in terms of percentages. Can you tell me how it is split?

Mr. DOMENECH. Well, of course, we don't have a program now. In GOMESA I think it is 37.5 percent goes to the state and the rest of it goes to the Federal Government. That is my understanding.

Mr. GRAVES. Congresswoman, I think it is important to draw the analogy here looking at, for example, BLM land where the Federal Government is responsible for maintaining and patrolling those lands. They receive 10 percent of the revenue from mineral production on BLM land. Ten percent. Ninety percent goes to the reclamation fund.

Mrs. NAPOLITANO. But is that enough?

Mr. GRAVES. Is 10 percent enough?

Mrs. NAPOLITANO. Is that enough to do the maintaining?

Mr. GRAVES. I am talking about on Federal lands.

Mrs. NAPOLITANO. Right.

Mr. GRAVES. That they receive 10 percent right now. And so for offshore waters the Federal Government currently retains virtually 100 percent of the revenues.

And I also want to clarify that our Department of Wildlife and Fisheries responds to search and rescue, does patrol offshore waters and are very involved in rescue operations. I think the issue here, and this goes back to a question that was asked earlier by Mr. Holt, Congressman Holt. It is important to recognize, and he asked whether we would take over the offshore production platform, oil spill response and things like that.

The Federal Government is responsible for doing that today, and in the case of the Deepwater Horizon spill in my opinion I think that it was not done properly. The states have to pay the price. Ninety-two percent of that oil, heavily and moderately oil true lines, are in the State of Louisiana.

That is what I have been doing for the last year. And so as a result of largely, in my opinion, oversight issues and I think gross negligence, we have to respond to that disaster. The Federal Government, to be candid, did not do a very good job.

Mrs. NAPOLITANO. Thank you, Mr. Chairman. I appreciate your indulgence.

The CHAIRMAN. Yes. I did want to thank the gentlelady. I did want the gentleman to respond. The gentleman from Colorado, Mr. Tipton, is recognized.

Mr. TIPTON. Thank you, Mr. Chairman. I would like to thank our panel for being here. I have a couple of questions.

Mr. Domenech and Mr. Graves, in the State of Louisiana and State of Virginia do you feel any Federal impacts, any costs in your communities, in your businesses, in your state, from regulations coming down out of the Federal Government?

Mr. DOMENECH. Yes.

Mr. TIPTON. Mr. Graves?

Mr. GRAVES. Congressman, when the Corps of Engineers leveed the Mississippi River we lost nearly 2,000 square miles of our coastal area as a result of those Federal actions and so I would say without question.

Mr. TIPTON. Great. So the Federal Government mandates. States—Virginia, Louisiana—pay. If it is offshore, the Federal Government doesn't want to be able to give anything back to the states is essentially what we are seeing with this offshore. Is that correct?

Mr. GRAVES. Yes, sir.

Mr. TIPTON. I think, Mr. Chairman, we see something really pretty clear. Our Democrat colleagues are opposed really to revenue sharing not because those revenues could be used to pay down the debt in this country or to be able to meet our Federal obligations. Their opposition seems to be simply to any kind of development that is going on in our coastal states.

But because we know revenue sharing does make sense for these states and will lead to new development and new jobs, I think our Democrat colleagues' position is bad for America, is bad for our states and bad for addressing some of the challenges that we really face.

Gentleman, I would like to ask you. Could you use a billion dollars in your state?

Mr. DOMENECH. Sure.

Mr. TIPTON. Were you a little distressed when we saw the President of the United States, given what our Democrat colleagues have been pointing out, what the Chairman has pointed out, that we have $14.4 trillion in debt in this country, taking a billion American dollars, which we don't have, and encouraging offshore drilling off the coast of Brazil?

Mr. GRAVES. I think it could have been better invested in Virginia.

Mr. TIPTON. How is your job climate? Do you have 100 percent employment?

Mr. DOMENECH. We do not. We are about 6 percent, so we are not as bad as some other states.

Mr. TIPTON. Nationwide, right. The economy is really robust? Everything is swell?

Mr. DOMENECH. It could be improved.

Mr. TIPTON. It could be improved. So maybe it is important to be able to get Americans back to work, to be able to create those jobs, to be able to develop resources here in America, to be able to lower costs for Americans who are struggling with gasoline prices and being able to pay their bills. Would that be sensible?

Mr. DOMENECH. It would.

Mr. TIPTON. It would be sensible. I tend to agree with you. You know, I come from a western state, a landlocked state, and we have that common sense at least in the west, and we see it reflected in at least some of the Federal policy, to be able to get some of those revenues back.

Just in terms of who can best address some of those problems, when you are looking at your children, education, do you think those decisions are better made here in Washington or better made at the local level?

Mr. DOMENECH. Local level.

Mr. TIPTON. Probably at the local level. Do you think somebody in Washington knows that you have potholes in your street, or do you know that you have potholes in your street when you were talking about getting money for infrastructure? You probably know that better.

Mr. DOMENECH. Yes.

Mr. TIPTON. But you need the resources to be able to do that. That, Mr. Chairman, is something that I think that this Congress—and I applaud this piece of legislation. Recognizing that there seems to be a real mentality inside this Beltway that Washington needs money more than our states, than our communities, than our individuals, to be able to fill Washington's coffers and be able to meet Washington's needs.

It seems to me that the more sensible approach to this is to be able to empower those local communities, to be able to empower individuals with those resources. We really need to be having a more balanced approach in terms of dealing with our states and truly recognizing many of the challenges that you face.

Mr. Graves, when you were talking about the deplorable job that the Federal Government did when it came to the cleanup, there were many of us that were wondering as we heard your state stand

up and say let us get involved. Let us be able to participate. You were handcuffed by Federal regulations.

We are spending in this country $1.75 trillion a year on regs. Those are the real costs. We continue to see, as you have reflected here today, unemployment. We have seen revenues not increasing, but decreasing. If we are able to get our people back to work, we are able to get our people employed in this country, we support not foreign industry, but American industry for a change, I think that will be a more sensible approach and something I can certainly be behind, Mr. Chairman. Thank you, and I yield back.

The CHAIRMAN. I thank the gentleman. His time has expired. The gentleman from New Mexico, Mr. Luján.

Mr. LUJÁ. Mr. Chairman, thank you very much. Mrs. Alexander, why is your organization opposed to legislative measures that would alter the existing Federal/state revenue share provisions for royalty payments?

Ms. ALEXANDER. Our position is essentially these are Federal resources, and the Federal taxpayers should get the revenue. It is not about whether or not states should get aid for other things. It is not about the overall balance between state and Federal Government. These are resources owned by the Federal taxpayers, and they should get the revenue.

Mr. LUJÁ. I appreciate the honesty in the answer that it is not about picking winners or losers. These are Federal resources that should go to Federal taxpayers, and that is the position of the Taxpayers for Common Sense. We have talked a little bit about common sense, but you represent the organization called Taxpayers for Common Sense.

Ms. ALEXANDER. That is our position, and we have a long history where I am sure we would agree with Mr. Graves on many things about criticizing the Army Corps of Engineers and criticizing the execution across Administrations at the Department of the Interior in terms of their management of both lands and waters.

We want excellence from the Federal Government. You know, we are not saying that everybody is doing a great job already, but these are Federal resources. Federal taxpayers own them and Federal taxpayers should get the revenues.

Mr. LUJÁ. Ms. Alexander, why would someone advocate then for taking money from the Treasury to put into the state budgets? What in the opinion of Taxpayers for Common Sense is the right approach in this front when we are talking about these Federal resources?

Ms. ALEXANDER. I mean, I think that the representatives from the states are in the best position to argue why the states want it, but I think that at the root level I think the question for us, from the Taxpayers for Common Sense point of view, is we are not saying that there shouldn't be incentives for increased production.

I just don't think shifting the revenue from one place to the other means that it is an incentive for the developer. They still have to pay royalties. They still have to pay rents. They still have to pay bonuses and fees. So I think we think it comes down to a very simple point. They are Federal resources, and Federal taxpayers should get the revenue.

Mr. LUJÁ. So, Ms. Alexander, at a time when we are taking on these Federal deficits and getting our fiscal house in order with low Federal revenues, what would be the value to American taxpayers of a proposal to take money away from the American Federal taxpayers paid by these offshore royalties?

Ms. ALEXANDER. Taking away non-tax Federal revenue at this moment when we have a $14.3 trillion debt, which is something that my organization has been concerned about for many, many years. We have been on the record for a long time about being concerned about our growing debt and about our deficits and about our inability to bring our budget closer into balance.

You know, this is Congress' job. You guys have a fiduciary responsibility to the taxpayers to make sure you are not wasting our money and making sure that the Administration is doing a good job of administering the programs, but also that you are managing the assets that are owned by the taxpayers in a way that is for long-term value and that returns revenue to us.

Mr. LUJÁ. And last, Mrs. Alexander, you state in your testimony that altering these royalty distributions would do nothing for the bottom line of the oil and gas, wind or other offshore developers, so doesn't it make sense if these penalties are going to be paid either way that the American taxpayer deserves a return on their use of public waters for offshore drilling?

Ms. ALEXANDER. Again, it comes back to the same point. These are Federal resources. The revenues should go back to the Federal taxpayer. It shouldn't make a difference for the bottom line for any offshore developer. If they are developing energy in Federal waters, they are paying those royalties no matter what.

Mr. LUJÁ. Appreciate that. Thanks very much, Ms. Alexander. Mr. Chairman, I yield back.

The CHAIRMAN. Would the gentleman yield before he yields back?

Mr. LUJÁ. Cautiously, Mr. Chairman, I would yield.

The CHAIRMAN. Well, the gentleman's line of questioning was very, very specific in the specificity of that to the gentlelady, and her position was it is Federal lands so the Federal Government should get the receipts from that.

I would just ask the gentleman from New Mexico. Does anybody in your state, where there is a lot of Federal land, get PIL payments and does he agree that PIL payments maybe should be treated the same way as offshore revenues?

Mr. LUJÁ. We appreciate, Mr. Chairman, very much that rural schools, as well as some of our Federal lands with our local counties, receive PIL payments. That is something I very much support and am concerned with some of the opposition from our colleagues in those areas.

But when we are talking about the treatment of what is happening with these resources and bringing them right back into the states, there is a difference when these programs were shut up as opposed to some of these other Federal programs.

The CHAIRMAN. Well, in both cases, if the gentleman would yield to me, in both cases we are talking about Federal lands. I am just simply pointing out the line of the gentleman's questioning was Federal lands, and the response was Federal lands or Federal ownership should receive the receipts.

Now, you are making an exception. By the way, I agree with you. I think PIL payments are a payment in lieu of taxes. I would rather have, frankly, individuals own that land, but I just think there is a distinction here, and that is the reason I ask that because it is not as black and white as one would assume. I just wanted to ask the gentleman, and I thank him for yielding.

Mr. LUJÁ. I appreciate that, Mr. Chairman. Again, I cautioned the yield, and I yield back the balance of my time. Thank you, Mr. Chairman.

The CHAIRMAN. OK. The gentleman's time has expired. The gentleman from Colorado, Mr. Lamborn?

Mr. LAMBORN. Thank you, Mr. Chairman.

Ms. Alexander, I would like to discuss a couple of underlying issues that we are talking about here today, so can you give me a yes or no answer to several questions? One is do you support offshore drilling under any conditions in new areas off the Atlantic coast?

Ms. ALEXANDER. Yes. We have no position one way or the other. We are not against development. Yes.

Mr. LAMBORN. OK. And would the same hold true for the Pacific, new areas off the Pacific coast?

Ms. ALEXANDER. Again, no position so yes.

Mr. LAMBORN. And finally, would that hold true for new areas off the coast of Alaska?

Ms. ALEXANDER. Yes.

Mr. LAMBORN. OK. Let me make a side comment here. I am glad to see a witness put forward by the Minority side that acknowledges that there is an important role for new energy production in this country.

But to be more specific, do you believe that states that have shorelines adjacent or next to offshore drilling, should this materialize in the future in the Atlantic, the Pacific or Alaska, do they have a stake in the outcome that is any different than states farther away?

For instance, the consequences of an oil spill that would affect tourism or fishing. Do these states have a stake in the outcome that is different than the other states, the other 49 states?

Ms. ALEXANDER. Well, I think the three mile of state waters, clearly they have a different stake in that and a transitional stake. We have recognized that they have a different stake.

But I think if you take Virginia, for example, it is possible that a spill in Virginia could affect North Carolina or New Jersey or Delaware. I think that the farther out you get, the impacts become a little more diffuse.

Obviously the states where they are close to offshore drilling in Federal waters may have a disproportionate impact, but they are going to get disproportionate Federal aid if, God forbid, there were an accident, and they get the ancillary job benefits, which are considerable.

Mr. LAMBORN. So you can see that it is a reasonable position for people to take to say hey, that state has a potentially bigger impact because they are right next to it so they should share some of the revenues.

Ms. ALEXANDER. But they also get proportionate Federal assistance. And again we all hope there are no disasters, but they would get Federal assistance no matter what the share of the royalties would be. They would get a disproportion of Federal assistance. And we don't know where those impacts would all be. It is not as clear when the——

Mr. LAMBORN. I think this is a very reasonable position and should be the position we take as a country.

Mr. Graves, you have heard the testimony from Ms. Alexander, and we just went into it a little bit in detail. Can you give us some thoughts on the State of Louisiana and the role that they play using state money for the cleanup efforts after the disaster a year ago?

Mr. GRAVES. Thank you, Congressman. Without question, the State of Louisiana spent extraordinary dollars.

In fact, we are still trying to quantify it, but tens of millions of dollars of our money responding to the oil spill as a result of the void in the response, seeing resources that weren't properly placed, seeing a lack of resources. We had literally thousands of state employees out there patrolling the waters, cleaning up the waters, providing security and many, many other efforts trying to protect our natural resources where those voids existed.

In addition to that, as I noted earlier, historically production conducted in less environmentally sensitive ways did take a toll on our coastal area, and that is another area where we are spending recently over $1 billion trying to restore our coastal area with state funds.

Mr. LAMBORN. OK. Thank you. Mr. Domenech, have the people of Virginia or the government of Virginia thought about how you could use the additional—you have maybe touched on this already, but I missed some of the earlier questions and answers. Would you use additional revenues should this materialize as we are discussing here today?

Mr. DOMENECH. Yes. Our General Assembly has passed legislation that says if we get royalty sharing, royalties from any future offshore development, that we would spend those on a couple of areas—green energy incentives and research, transportation needs, infrastructure, as well as putting in place the state-of-the-art safety regime that is needed, because where this energy is coming onshore we have different sorts of needs and requirements than other states that is not doing the offshore development. So that is the three areas where we would put our funding.

Mr. LAMBORN. OK. Thank you. It is hard to see anybody objecting to that. I want to thank you all for being here today. I yield back.

The CHAIRMAN. I thank the gentleman. Time has expired. The gentleman from Arizona, Mr. Grijalva?

Mr. GRIJALVA. Appreciate it. Ms. Alexander, now that Secretary Salazar, due to all the obvious problems that were there, has created the new Office of Natural Resource Revenue and the Bureau of Ocean Energy Management, Regulation and Enforcement to improve the management of royalties, the collection of royalties on onshore and offshore Federal property, what recommendations do you

have to improve the management of that part of the Gulf coastal areas? Do you have any suggestions?

Ms. ALEXANDER. You know, certainly I can get back to you with more specific recommendations. It is not something that I was prepared to discuss today.

We were long-time critics of the Minerals Management Service. I testified before this Committee——

Mr. GRIJALVA. Yes.

Ms. ALEXANDER.—on the problems with that. We have been watching this reorganization very closely, and we are looking at it with a skeptical eye. So far it looks like there is improvement, but we are definitely not letting people off the hook yet.

Mr. GRIJALVA. OK.

Ms. ALEXANDER. So we will be watching.

Mr. GRIJALVA. You also mentioned in your testimony that one state cannot meet the impact of operations beyond state waters and that it has national implications.

Could you elaborate further on why it is important for revenues to remain the way they are, and what would occur to our Federal waters if changes were made, the question being, the underlying question, would there be state accountability in this whole process?

Ms. ALEXANDER. I think for Federal waters, for waters six or nine miles offshore, the kind of consequences of any disasters—again, hopefully we don't have them, but the consequences of those disasters are more difficult to predict in terms of where things might create an impact. The states closest are obviously going to have significant impacts, and they will get significant Federal assistance in terms of disaster assistance.

It is absolutely the case that there has to be Federal accountability on the performance of that disaster assistance, and that has been lacking in the past, but I don't think that doing revenue sharing increases the likelihood that that is not going to improve Federal disaster assistance. We need to make sure that that gets improved on its own. And I don't think it creates more accountability for the states either.

Mr. GRIJALVA. Thank you. Mr. Chairman, if I may? Mr. Graves, earlier you said that you had no idea where the $150 billion projected cost to the Federal Government, where it was coming from. It comes from, and I will be glad to share this with you, it comes from the Department of the Interior where over the next 60 years up to $150 billion is going to be sent to the states, and over the next 88 years $254 billion will be diverted to the states under the 2006 law.

I wanted to make sure, Mr. Chairman, that there is no objection to entering this into the record and provide the witness with a copy of that.

The CHAIRMAN. Without objection.

Mr. GRIJALVA. Thank you.

[The "Estimates of Phase II GOMESA" submitted by Mr. Grijalva follows:]

7/27/2010

Estimates of Phase II GOMESA Revenue Sharing Based On Central and Western Gulf of Mexico Estimated Production, Revenues, ar

Fiscal Year	Unleased Undiscovered Resources (UERR)				Unfeased Undiscovered Resources (UTRR)			
	Capped GOMESA		Remainder Above Cap		Capped GOMESA		Remainder Above Cap	
	States ($MM)	LWCF ($MM)	States 37.5% ($MM)	LWCF ($MM)	States ($MM)	LWCF ($MM)	States 37.5% ($MM)	LWCF ($MM)
2010			$ 608	$ 203			$ 802	$ 267
2011			$ 582	$ 194			$ 767	$ 256
2012			$ 618	$ 206		$ -	$ 815	$ 272
2013			$ 668	$ 223		$ -	$ 880	$ 293
2014			$ 730	$ 243		$ -	$ 961	$ 320
2015			$ 806	$ 269		$ -	$ 1,062	$ 354
2016			$ 898	$ 299		$ -	$ 1,182	$ 394
2017	$ 375	$ 125	$ 629	$ 210	$ 375	$ 125	$ 949	$ 316
2018	$ 375	$ 125	$ 753	$ 251	$ 375	$ 125	$ 1,113	$ 371
2019	$ 375	$ 125	$ 886	$ 295	$ 375	$ 125	$ 1,290	$ 430
2020	$ 375	$ 125	$ 1,030	$ 343	$ 375	$ 125	$ 1,481	$ 494
2021	$ 375	$ 125	$ 1,190	$ 397	$ 375	$ 125	$ 1,693	$ 564
2022	$ 375	$ 125	$ 1,370	$ 457	$ 375	$ 125	$ 1,932	$ 644
2023	$ 375	$ 125	$ 1,559	$ 520	$ 375	$ 125	$ 2,182	$ 727
2024	$ 375	$ 125	$ 1,758	$ 586	$ 375	$ 125	$ 2,445	$ 815
2025	$ 375	$ 125	$ 1,961	$ 654	$ 375	$ 125	$ 2,713	$ 904
2026	$ 375	$ 125	$ 2,169	$ 723	$ 375	$ 125	$ 2,988	$ 996
2027	$ 375	$ 125	$ 2,383	$ 794	$ 375	$ 125	$ 3,272	$ 1,091
2028	$ 375	$ 125	$ 2,603	$ 868	$ 375	$ 125	$ 3,563	$ 1,188
2029	$ 375	$ 125	$ 2,825	$ 942	$ 375	$ 125	$ 3,856	$ 1,285
2030	$ 375	$ 125	$ 3,047	$ 1,016	$ 375	$ 125	$ 4,149	$ 1,383
2031	$ 375	$ 125	$ 3,270	$ 1,090	$ 375	$ 125	$ 4,444	$ 1,481
2032	$ 375	$ 125	$ 3,494	$ 1,165	$ 375	$ 125	$ 4,741	$ 1,580
2033	$ 375	$ 125	$ 3,716	$ 1,239	$ 375	$ 125	$ 5,035	$ 1,678
2034	$ 375	$ 125	$ 3,937	$ 1,312	$ 375	$ 125	$ 5,326	$ 1,775
2035	$ 375	$ 125	$ 4,155	$ 1,385	$ 375	$ 125	$ 5,616	$ 1,872
2036	$ 375	$ 125	$ 4,372	$ 1,457	$ 375	$ 125	$ 5,902	$ 1,967
2037	$ 375	$ 125	$ 4,584	$ 1,528	$ 375	$ 125	$ 6,183	$ 2,061
2038	$ 375	$ 125	$ 4,791	$ 1,597	$ 375	$ 125	$ 6,456	$ 2,152
2039	$ 375	$ 125	$ 4,993	$ 1,664	$ 375	$ 125	$ 6,723	$ 2,241
2040	$ 375	$ 125	$ 5,189	$ 1,730	$ 375	$ 125	$ 6,983	$ 2,328
2041	$ 375	$ 125	$ 5,381	$ 1,794	$ 375	$ 125	$ 7,237	$ 2,412
2042	$ 375	$ 125	$ 5,567	$ 1,856	$ 375	$ 125	$ 7,483	$ 2,494
2043	$ 375	$ 125	$ 5,733	$ 1,911	$ 375	$ 125	$ 7,703	$ 2,568
2044	$ 375	$ 125	$ 5,879	$ 1,960	$ 375	$ 125	$ 7,895	$ 2,632
2045	$ 375	$ 125	$ 6,019	$ 2,006	$ 375	$ 125	$ 8,081	$ 2,694
2046	$ 375	$ 125	$ 6,154	$ 2,051	$ 375	$ 125	$ 8,260	$ 2,753
2047	$ 375	$ 125	$ 6,280	$ 2,093	$ 375	$ 125	$ 8,426	$ 2,809
2048	$ 375	$ 125	$ 6,396	$ 2,132	$ 375	$ 125	$ 8,579	$ 2,860
2049	$ 375	$ 125	$ 6,506	$ 2,169	$ 375	$ 125	$ 8,725	$ 2,908
2050	$ 375	$ 125	$ 6,611	$ 2,204	$ 375	$ 125	$ 8,864	$ 2,955
2051	$ 375	$ 125	$ 6,598	$ 2,199	$ 375	$ 125	$ 8,846	$ 2,949
2052	$ 375	$ 125	$ 6,687	$ 2,229	$ 375	$ 125	$ 8,965	$ 2,988
2053	$ 375	$ 125	$ 6,762	$ 2,254	$ 375	$ 125	$ 9,064	$ 3,021
2054	$ 375	$ 125	$ 6,839	$ 2,280	$ 375	$ 125	$ 9,166	$ 3,055
2055	$ 375	$ 125	$ 6,911	$ 2,304	$ 375	$ 125	$ 9,261	$ 3,087
2056	$ 7,351	$ 2,450			$ 9,722	$ 3,241		
2057	$ 7,383	$ 2,461			$ 9,764	$ 3,255		
2058	$ 7,399	$ 2,466			$ 9,785	$ 3,262		
2059	$ 7,398	$ 2,466			$ 9,785	$ 3,262		
2060	$ 7,381	$ 2,460			$ 9,762	$ 3,254		
2061	$ 7,346	$ 2,449			$ 9,715	$ 3,238		
2062	$ 7,292	$ 2,431			$ 9,644	$ 3,215		
2063	$ 7,175	$ 2,392			$ 9,489	$ 3,163		
2064	$ 6,995	$ 2,332			$ 9,250	$ 3,083		
2065	$ 6,768	$ 2,256			$ 8,950	$ 2,983		
2066	$ 6,538	$ 2,179			$ 8,647	$ 2,882		
2067	$ 6,306	$ 2,102			$ 8,340	$ 2,780		
2068	$ 6,076	$ 2,025			$ 8,035	$ 2,678		
2069	$ 5,846	$ 1,949			$ 7,732	$ 2,577		
2070	$ 5,619	$ 1,873			$ 7,431	$ 2,477		
2071	$ 5,394	$ 1,798			$ 7,133	$ 2,378		
2072	$ 5,170	$ 1,723			$ 6,838	$ 2,279		
2073	$ 4,949	$ 1,650			$ 6,545	$ 2,182		
2074	$ 4,730	$ 1,577			$ 6,256	$ 2,085		
2075	$ 4,515	$ 1,505			$ 5,971	$ 1,990		
2076	$ 4,303	$ 1,434			$ 5,691	$ 1,897		

2077	$ 4,094	$ 1,365			$ 5,414	$ 1,805		
2078	$ 3,888	$ 1,296			$ 5,143	$ 1,714		
2079	$ 3,687	$ 1,229			$ 4,876	$ 1,625		
2080	$ 3,489	$ 1,163			$ 4,614	$ 1,538		
2081	$ 3,295	$ 1,098			$ 4,358	$ 1,453		
2082	$ 3,105	$ 1,035			$ 4,107	$ 1,369		
2083	$ 2,920	$ 973			$ 3,862	$ 1,287		
2084	$ 2,740	$ 913			$ 3,624	$ 1,208		
2085	$ 2,564	$ 855			$ 3,391	$ 1,130		
2086	$ 2,392	$ 797			$ 3,164	$ 1,055		
2087	$ 2,225	$ 742			$ 2,943	$ 981		
2088	$ 2,067	$ 689			$ 2,734	$ 911		
2089	$ 1,919	$ 640			$ 2,537	$ 846		
2090	$ 1,774	$ 591			$ 2,347	$ 782		
2091	$ 1,634	$ 545			$ 2,161	$ 720		
2092	$ 1,499	$ 500			$ 1,983	$ 661		
2093	$ 1,370	$ 457			$ 1,812	$ 604		
2094	$ 1,245	$ 415			$ 1,646	$ 549		
2095	$ 1,124	$ 375			$ 1,486	$ 495		
2096	$ 1,011	$ 337			$ 1,337	$ 446		
2097	$ 900	$ 300			$ 1,191	$ 397		
2098	$ 797	$ 266			$ 1,054	$ 351		
Totals								
2010-2037	$ 7,875	$ 2,625	$ 56,600	$ 18,867	$ 7,875	$ 2,625	$ 77,340	$ 25,780
2010-2055	$ 14,625	$ 4,875	$ 165,896	$ 55,299	$ 14,625	$ 4,875	$ 224,058	$ 74,686
2010-2070	$ 117,497	$ 39,166	$ 165,896	$ 55,299	$ 150,675	$ 50,225	$ 224,058	$ 74,686
2010-2098	$ 196,299	$ 65,433	$ 165,896	$ 55,299	$ 254,892	$ 84,964	$ 224,058	$ 74,686

Assumptions

Prices: OMB 2011 Mid Session Review
Oil - 2012 $73.58/bbl
Gas - 2012 $4.18/mcf
UERR Estimates are adjusted from the 2010-2015 DPP at $60/bbl and $6.41/mcf
Transportation Costs
$3.50/bbl oil
$0.30/mcf gas
Royalty Rate is 18.75%

Revenue Sharing is 37.5% of leasing revenues.

Mr. GRIJALVA. Mr. Graves, on Governor Jindal's website it states, "Graves helped to draft offshore oil and gas revenue sharing bills, including the Gulf of Mexico Energy Security Act of 2006," continuing "providing billions to Louisiana and other Gulf states."

I mention those two to clarify where the money came from and your participation in that revenue sharing and the original law.

Mr. GRAVES. May I respond?

Mr. GRIJALVA. Yes, of course.

Mr. GRAVES. Thank you. Congressman, the legislation ultimately will provide billions of dollars. You just laid out a 60 and 88 year timeframe.

First of all, under Senate rules when that bill was drafted there was a cap on the amount of any legislation that could pass the Senate that limited it to $5 billion over any decade. The way that was addressed is that provisions were put in limiting the amount of expenditures to $500 million in any given year.

In addition, as a result of the moratorium, and keep in mind GOMESA shares only prospective revenues. Because of the moratorium, we have been unable to or we are actually delaying what is currently that 2017 date, and I think it is actually going to be closer to 2019 or 2020 before we see those revenues.

The last point is that——

Mr. GRIJALVA. But we are talking about production, aren't we, and not drilling at this point?

Mr. GRAVES. We are talking about production. Right.

Mr. GRIJALVA. Yes. OK.

Mr. GRAVES. But production has to start with the exploration activities, which have been restricted.

Mr. GRIJALVA. Right.

Mr. GRAVES. So I don't think we are going to see the surge in 2017's projections.

Mr. GRIJALVA. Reclaiming my time if I may, Mr. Graves, right now as we sit here talking about revenue sharing and to other states beyond the 2006 law, we are also in the process of imploding on the Majority's budget to try to deal with the debt ceiling, and it is imploding as we speak.

And yet we are having this really kind of dual universe discussion where we are talking about sending billions of dollars back to the states at a time when this government needs its resources and its revenue to try to balance what is a very difficult and delicate situation in terms of our own debt ceiling discussions. Would you agree with me that this is a wonderful time to be having this discussion?

Mr. GRAVES. Congressman, I would say that I think that with a small degree of research it would be proven based upon history that this is the fiscally conservative approach.

The CHAIRMAN. The time of the gentleman has expired.

Mr. GRIJALVA. Tell that to somebody on Medicare. Anyway, thank you.

The CHAIRMAN. The gentleman from South Carolina, Mr. Duncan?

Mr. DUNCAN FROM SOUTH CAROLINA. Thank you, Mr. Chairman. Let me just say that in 2008 I served on the South Carolina Offshore Drilling Study Committee, and South Carolina wants to see offshore drilling in our state and we want to see the revenue sharing that has gone on forever.

In 1787, states freely joined this union known as the United States of America, and at that time they gave up rights to anything off their shore. But they also expect something in return when the Nation harvests those resources and so this really gets down to the root of the union and the states' rights to some degree.

So the gentleman from Louisiana has an extraordinary and huge amount of experience in this area so, Mr. Chairman, I would like to yield the balance of my time to Mr. Landry from Louisiana.

The CHAIRMAN. The gentleman is recognized.

Mr. LANDRY. Thank you, Mr. Chairman. I thank the gentleman from South Carolina. I am going to have to make him an honorary citizen of Louisiana because I think this is important not only to Louisiana, but all of not only the Gulf coast, but any states that have a coastline on it and natural resources out there.

Mr. Graves, I understand before I arrived the Ranking Member, Mr. Markey, mentioned that he would be soon introducing legislation with Mr. Holt to repeal the existing GOMESA revenue sharing with Gulf states.

Mr. Chairman, I would submit for the record he used some figures as to how much it was going to be costing the Federal Govern-

ment, and I would like to submit for the record factual information today about the cost of GOMESA to the American people.

As scored by the CBO at the time of passage, it was estimated it would cost less than $1 billion over 10 years. It would not cost more than $5 billion in spending in any of the next four 10-year periods after 2015. That means under CBO scoring over 50 years that this program would not have cost the Federal Government more than $20 billion.

There have been accusations, as I said, today by Members of the Minority that somehow this program cost the Federal Government $150 billion, and I submit for the record here today that the official CBO score for GOMESA does not reflect that.

The CHAIRMAN. Without objection, it will be part of the record.

Mr. LANDRY. Thank you.

[The CBO letter submitted for the record by Mr. Landry follows:]

CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

July 21, 2006

Honorable Pete V. Domenici
Chairman
Committee on Energy
and Natural Resources
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

As you requested, the Congressional Budget Office has estimated the budgetary impact of S. 3711, the Gulf of Mexico Energy Security Act of 2006, as introduced on July 20, 2006. The bill would remove the restrictions on leasing certain areas of the Outer Continental Shelf (OCS) for oil and gas development, authorize direct spending of certain OCS receipts, and offer monetary credits to firms that hold leases in certain areas.

CBO estimates that enacting the bill would reduce direct spending by $0.9 billion over the 2008-2016 period (see enclosed table). S. 3711 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act. CBO expects that enacting this legislation would benefit some coastal states and localities by allowing them to share in the receipts from oil and gas leases in the OCS.

The estimated budgetary impact of this bill would vary over time. Allowing leasing in the new areas designated by the bill would lead to the collection of bonuses, rents, and royalties, which CBO estimates would total $1.5 billion over the 2008-2016 period. Those areas would continue to generate offsetting receipts for several decades after 2016.

Under S. 3711, 50 percent of the offsetting receipts collected from leases in the new areas could be spent, without further appropriation action, for payments to states and for activities authorized by the Land and Water Conservation Fund Act. CBO estimates that such spending would total $540 million over the 2009-2016 period. Starting in 2017, the bill would provide additional direct spending authority encompassing 50 percent of the receipts from most other OCS oil and gas leases, subject to a limitation. Starting in 2016, the bill would limit total direct spending under the bill in any year to no more than the sum of the receipts from the new areas plus $500 million.

Finally, the legislation would offer monetary credits to firms that hold OCS leases in areas that would be subject to a temporary moratorium on new leasing activity. Based on information from the Department of the Interior, CBO estimates that those credits would be worth $84 million and would be redeemed soon after they were made available.

Pursuant to section 407 of H. Con. Res. 95 (the Concurrent Resolution on the Budget, Fiscal Year 2006), CBO estimates that enacting this bill would not cause an increase in direct spending greater than $5 billion in any of the next four 10-year periods after 2015.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Kathleen Gramp.

Sincerely,

Donald B. Marron

Donald B. Marron
Acting Director

Enclosure

cc: Honorable Jeff Bingaman
Ranking Member

CBO ESTIMATE OF THE DIRECT SPENDING EFFECTS OF S. 3711, THE GULF OF MEXICO ENERGY SECURITY ACT OF 2006

	By Fiscal Year, In Millions of Dollars										Total	
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2007-2011	2007-2016
CHANGES IN DIRECT SPENDING												
Leasing of New OCS Areas												
Estimated Budget Authority	0	-220	-60	-120	-100	-70	-120	-190	-290	-380	-500	-1,550
Estimated Outlays	0	-220	-60	-120	-100	-70	-120	-190	-290	-380	-500	-1,550
New Direct Spending of OCS Receipts												
Estimated Budget Authority	0	0	110	30	60	50	35	60	95	145	200	585
Estimated Outlays	0	0	85	30	60	50	40	60	85	130	175	540
Monetary Credits to Certain Lessees												
Estimated Budget Authority	0	80	4	0	0	0	0	0	0	0	84	84
Estimated Outlays	0	80	4	0	0	0	0	0	0	0	84	84
Total Changes												
Estimated Budget Authority	0	-140	54	-90	-40	-20	-85	-130	-195	-235	-216	-881
Estimated Outlays	0	-140	29	-90	-40	-20	-80	-130	-205	-250	-241	-926

Mr. LANDRY. You know, I also find it just remarkable that the other side will sit here today and talk about a hole in the Federal budget that they created and then we spend four months giving them an opportunity, passing legislation through this Committee that is sitting idle on the Senate Floor which in the opinion of many others would create $1.7 billion a year more in Federal revenue for the Treasury, but yet they don't want to pass it.

They object to that legislation, and then they would sit here today and tell Mr. Graves to tell that to someone on Medicare. I find that somewhat disheartening.

Mr. Graves, thank you for making yourself available today. I will tell any Member of Congress who has a coastline that this gentleman right here probably knows more about coastlines than anyone else when it comes to protecting the environment.

Ms. Alexander, have you ever lived on the coast?

Ms. ALEXANDER. No.

Mr. LANDRY. OK.

Ms. ALEXANDER. Close, but not on.

Mr. LANDRY. Close? How close?

Ms. ALEXANDER. Ten miles.

Mr. LANDRY. Ten miles. That is pretty close. On a coastline that is prone to hurricanes?

Ms. ALEXANDER. Yes.

Mr. LANDRY. OK. All right. Have you ever had to sit through one?

Ms. ALEXANDER. The only time I have been in hurricanes I was pretty far inland, so it is not——

Mr. LANDRY. You were pretty far inland. Well, my house sits about 15 miles from the coastline, and I sat through Rita, Gustav, Ike, Lily, Andrew.

It has been proven that when we repair Louisiana's coastline it helps to protect Louisiana's citizens and infrastructure. That infra-

structure is not only important to Louisianians. It is important to you because if you flew here they had to fill that plane with hydrocarbons, with diesel jet fuel most likely refined out of Louisiana refineries that are protected by Louisiana's coast.

This is an environmental bill. Revenue sharing protects the environment. It does not just protect Louisiana. It does not just protect Alabama or Mississippi or Florida or any of the other states.

Mr. GOHMERT. Texas.

Mr. LANDRY. I can't forget Texas. I am sorry. It protects Americans because there is infrastructure that those states—Texas is well documented, the refineries on the coast.

Why is it so unfair when other states in this country have been receiving 50 percent of oil and gas royalties for their drilling that we shouldn't receive any as well? Do you know what? The Members on the other side have never proposed repealing that to fill their thirst for spending in this country, but yet today we are going to talk about repealing revenue sharing and how it is not fair.

Mr. Chairman, I know I am out of my time.

The CHAIRMAN. The gentleman now is recognized for five minutes if he would yield just for a moment.

Mr. LANDRY. Yes, sir.

The CHAIRMAN. We are not talking about repealing revenue sharing. We are talking about enhancing revenue sharing that is the subject of this Committee. Now, others may be talking about that, but the Chairman isn't.

The gentleman is recognized.

Mr. LANDRY. Right. Mr. Chair, I do recognize that, but the problem is that there are some at the witness table who would like to see it repealed, who have said that it is unfair. My point to them is how is it unfair? It needs to be enhanced.

Look, I think that every state that has natural resources off of its coast has the right to participate in the activity not only from a purely economical standpoint, but because those natural resources really, as the gentleman from South Carolina noted, belonged to those states before they entered the Union.

Ms. ALEXANDER. I think we are just going to have to agree to disagree here. I think in the first three miles absolutely the states benefit from that activity in the transitional zone. They benefit from the activity.

We are saying that in Federal waters six or nine miles off the coast of the states those are Federal waters, and we think the revenue should be Federal. I don't begrudge folks from coastal states making those arguments. We look out for the Federal taxpayer across the country, and we think that for Federal waters six or nine miles off the coast it is appropriate for those revenues to stay Federal.

Mr. LANDRY. Mr. Graves, maybe you answered this question, but could you tell us if Louisiana put an aggressive coastal restoration plan in place what is the total amount dollar-wise of infrastructure that we are protecting? Do you happen to know?

Mr. GRAVES. I don't remember the number right off, but I know it is several hundred billion dollars at a minimum.

Mr. LANDRY. And wouldn't you agree that putting in place sound coastal restoration management practices protects us from storms?

Mr. GRAVES. Without question. As a matter of fact, I think it is noteworthy, Congressman, that, as you know, under Louisiana's Constitution that 100 percent of these revenues are dedicated to mitigating the impact of OCS activities and in repairing the ecosystem, which is degraded as a result of Federal activities.

Mr. LANDRY. Mr. Graves, is it not correct, and I know that Louisiana certainly sometimes in its past colorful history has been known to maybe waste money. Of course, they are kind of guilty of that up here.

But isn't it true that the people of the great State of Louisiana passed a constitutional amendment to ensure that any revenue sharing would be spent solely on coastal restoration and hurricane protection projects?

Mr. GRAVES. Yes, sir, and mitigating impact of OCS activities. That is correct.

Mr. LANDRY. And wouldn't you say that those projects are classified as environmentally sound projects?

Mr. GRAVES. We work very closely with the environmental community. They have endorsed our plans in absolutely helping to restore the environment.

Mr. LANDRY. And so if Members on the other side, who I respect, have such a keen interest in protecting the environment and wanting to protect species out in Louisiana—we had a discussion here about turtles yesterday—wouldn't you say that every dollar spent on the coast protects that environment again?

Mr. GRAVES. Not only does it protect the environment, but it improves the resiliency of those communities that FEMA has come in and paid exponentially more dollars for.

I mean, Congressman, looking at Hurricane Katrina as an example, we had to sacrifice 1,200 lives and we had to sacrifice hundreds of thousands of businesses and homes in order to get the Federal Government to do what they should have been doing ahead of time and, by the way, could have spent 8 to 10 percent of that $150 billion taking proactive actions and preventing those losses. The policy is backwards.

Mr. LANDRY. And so you would say that any Member who voted against revenue sharing would basically be voting against the environment?

Mr. GRAVES. It is without question. We are investing funds in improving and restoring the environment, improving the ecosystem services that our costal area provides.

Mr. LANDRY. Thank you, Mr. Chairman. I yield back the balance of my time.

The CHAIRMAN. I appreciate the gentleman for yielding back. The Chair recognizes the gentleman from Texas, Mr. Gohmert.

Mr. GOHMERT. Thank you, Mr. Chairman. I do appreciate the effort it takes to get here and be a witness. I know you don't get compensated for it, so it truly is an act on each of your parts of trying to do what you believe is the right thing for the country.

Does anybody know what the position of those who oppose revenue sharing on oil and gas is on whether or not there should be shared revenue from solar or wind energy? Any of you all know?

Ms. ALEXANDER. I mean, speaking for Taxpayers for Common Sense, we treat all energy sources equally so offshore in Federal

waters, if there is development of wind or tidal or anything in Federal waters, we believe that revenue should be Federal.

Mr. GOHMERT. So you are against all the Democrats that want to share revenue from solar and wind? You depart with those folks on that?

Ms. ALEXANDER. In Federal waters, Your Honor.

Mr. GOHMERT. OK. Thank you. Well, because that is what we have been hearing; if it is solar or wind, gee, that revenue should be shared, so I appreciate hearing that is your position at least, Ms. Alexander. That is nice to know. It is also interesting to note that people, at least some, that are leading the charge against revenue sharing are absolutely steadfastly against drilling off of their state's coast.

It is just amazing to me to have that kind of dichotomy in thinking we are going to demand to drill off your coast because we want your energy and we want to fly in our jets and we want to leave the Suburbans running so they are cool when we come back from our speeches, but we don't want it coming from our state because it is so much work to keep it clean. It is work to keep energy production clean and it does make sense for those states who are willing to do it that revenue should be shared.

I am still aghast that people would be so opposed to drilling off their own coast and yet they want to take all of the revenue from those states that are willing to do what it takes to have drilling and try to keep their states clean on top of that. We have seen what this complete anti-fossil fuel effort has produced. It always produced hurt to the economy.

And what some folks on the left don't appreciate about those of us on the right, we want an environment that is every bit as clean as what anybody else on the left wants. We want that. We want clean drinking water. I don't want dirty water. I don't want water that smells like oil and gas.

The trouble is when an economy is suffering you find more and more people who are more concerned about getting a job, about being able to afford gasoline that would get them to their job, and they quit caring about how clean the environment is, which is one of the reasons you see it so nasty in places around the world, whether it is India or China or whatever, where you just can hardly breathe over there.

We have done a good job, but when the economy suffers the environment suffers more. It is only a vibrant economy that allows an effort to keep the environment clean and to get it cleaner. I have seen the struggling in Texas. I have seen the struggling in East Texas, and to have a lady in her eighties say I came into this world into a home with no power other than an electric stove and it looks like because of what you guys are allowing to happen, because we won't even use our own energy resources, I am going to leave this world the same way, that is just not right.

We have been blessed with more energy resources than any nation anywhere when you use them all, and if we use them and we share the revenue and we can use those revenues both at the state level and the Federal Government level to keep the environment clean and to also pursue environmental alternatives we are going to have a vibrant economy and we are going to be the greatest

economy in the world instead of heading down to the dust bin as we keep doing with these.

I know nobody wants to go there but that is where we are headed when we keep trying to punish people who want to provide us energy. I yield back.

The CHAIRMAN. The time of the gentleman has expired. I want to thank the Members and I want to thank the witnesses for their testimony. As I mentioned from the outset, it is the intention after we come back from the August district work period to work on this bill and hopefully mark it up.

I just want to make a point that wasn't made probably as much as it should have been, and that is that the reason for this bill is to provide incentives so that America can become less dependent on foreign energy. The gentleman from Texas alluded to that.

I recognize the principles stand that the gentlelady from the taxpayers organization takes. That is a very defendable position, but there is an issue at least beyond what she was arguing, and that is my friends on the Democrat side were suggesting that all this revenue is the Federal Government's revenue. Well, if you are not drilling you are not getting any revenue. One hundred percent of zero is still zero.

What we are attempting to do is add incentives for states to be part of this. Certainly there is a cost. We heard that in the testimony today. At the end of the day, not only do the states benefit; we hope we become less energy dependent because of the activity of that, jobs are created, and, lo and behold, the Federal Government benefits also.

That is the intent of where we are going with this legislation, and hopefully we can work on this and make that part of what our agenda has been here, a part of the American energy initiative that all of us have worked very hard on.

So with that I want to thank very much the witnesses for their presence here and the Members for participating. If there is no further business to come before the Committee, the Committee stands adjourned.

[Whereupon, at 11:44 a.m. the Committee was adjourned.]

[Additional material submitted for the record follows:]

[A letter from The Honorable Sean Parnell, Governor, State of Alaska, follows:]

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July 26, 2011

The Honorable Doc Hastings
Chairman
House Natural Resources Committee
United States House of Representatives
1324 Longworth House Office Building
Washington, DC 20515

The Honorable Edward Markey
Ranking Member
House Natural Resources Committee
United States House of Representatives
1324 Longworth House Office Building
Washington, DC 20515

Dear Chairman Hastings and Ranking Member Markey,

The State of Alaska provides the following comments for the July 27, 2011 hearing, entitled "State Perspectives on Offshore Revenue Sharing."

Before focusing on the issue of revenue sharing, it is important to consider the current state of American energy production. There is a growing recognition in this country that the United States needs more domestic oil and gas production. Borrowing nearly 40 cents on the dollar to buy oil and gas from foreign governments, some of which oppose our fundamental principles of freedom, is an untenable situation. This is especially true at a time when our nation faces record levels of debt and millions of our citizens are unemployed. Congress must not only change policies to encourage more domestic oil and gas production, it should consider substantial permitting and litigation reform.

The good news is that the resources necessary to change course are available. The Alaskan Outer Continental Shelf (OCS) is estimated by the United States Geological Survey to contain 27 billion barrels of oil and 132 trillion cubic feet of natural gas. If produced, this oil and gas would generate thousands of jobs and billions of dollars in revenue to the federal treasury. Alaskan OCS oil would also prolong the life of the Trans Alaska Pipeline System (TAPS), a multi-billion dollar asset, paid for by the American people over the years through tariffs on North Slope oil. TAPS once transported over 2.0 million barrels a day. Today, it is shipping only about 600,000 barrels per day and declining at seven percent per year. As production continues to decline, the challenges of

maintaining operation become increasingly more difficult. It is unclear if TAPS will be able to continue operation below about 300,000 barrels per day.

Although Congress has granted coastal states significant authority over the development of offshore waters in legislation such as the Deepwater Port Act, Outer Continental Shelf Lands Act (OSCLA), and the Coastal Zone Management Act (CZMA), a critical missing element is offshore revenue sharing with the states. It is not only fair to share part of the revenue from offshore development with coastal states, it is a vitally important part of an overall strategy. Communities in coastal states like Alaska are often concentrated in coastal areas. Development of offshore resources will require large, often complicated, construction projects. Such development increases demands on ports, transportation services, fuel supplies, pipeline and transmission corridors, and other vital infrastructure.

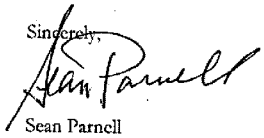
It is important to note there is precedent to support revenue sharing for energy production. The Mineral Leasing Act give states approximately 50 percent of the governmental revenues derived from production on federal lands within their borders. The Reclamation Fund then ensures that additional revenues are returned to eligible western states. Additionally, those states receive "Payments in Lieu of Taxes," a federal-state partnership designed to compensate for the impact federal lands have on state tax bases.

One model to consider is the framework Congress passed in 2006, which opened part of the Gulf of Mexico to drilling. Under the formula, 37.5 percent of revenues are provided to the coastal state and 12.5 percent is directed to the Land and Water Conservation Fund.

We would suggest a similar model, which instead dedicates 12.5 percent of OCS revenues to develop renewable energy. This would ensure that revenues from non-renewable resources – oil and gas – would be used to assist local communities and others in making the transition to renewable energy.

I urge bipartisan support for OCS revenue sharing with states. I have recently joined governors from other coastal states in writing a letter to the Senate Committee on Energy and Natural Resources on this issue. A copy of that letter is attached. I respectfully request that my comments and the attached letter be included in the hearing record.

Sincerely,



Sean Parnell
Governor

Enclosure