

**STATEMENT OF GREGORY J. GOULD
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U.S. DEPARTMENT OF THE INTERIOR
BEFORE THE
SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES
ON
S. 2418, THE COASTAL ACT OF 2019
NOVEMBER 7, 2019**

Introduction

Chairman Murkowski, Ranking Member Manchin, and members of the Committee, I am honored to appear before you today to discuss S. 2418, the Conservation of America's Shoreline Terrain and Aquatic Life (COASTAL) Act of 2019, which would change existing leasing and revenue sharing laws to provide additional funds from revenue generated by energy production from the Outer Continental Shelf (OCS) to states. The Department of the Interior and the Administration are committed to ensuring that American taxpayers receive a fair return from the sale of public resources.

The Department manages the public lands and federal waters that provide resources critical to the Nation's energy security. The Office of Natural Resources Revenue (ONRR) is responsible for the management of revenues associated with federal offshore, onshore, and American Indian leases, as well as revenues received as a result of offshore renewable energy efforts.

The lands and resources managed by the Department are vast. Onshore, in the 34 states where federal leases are located, over 25.5 million surface acres are currently under lease for oil and gas development. Offshore, the Department has made almost 80 million acres available for development in each of the past five offshore lease sales alone. In the Gulf of Mexico alone there are over 13 million acres under active lease, and in Alaska there are an additional 275 thousand acres under active lease. These onshore and offshore lands are a huge economic engine. In Fiscal Year (FY) 2018, one quarter of domestic oil production, approximately 15 percent of natural gas production, and close to half of U.S. coal production occurred on Interior-managed lands and waters.

On March 28, 2017, President Trump issued Executive Order 13783: Promoting Energy Independence and Economic Growth. The order declared that it is in the national interest to promote clean and safe development of our Nation's vast energy resources, while at the same

time reducing regulatory burdens that unduly encumber energy production, constrain economic growth, and prevent job creation. Moreover, the prudent development of these natural resources is essential to ensuring the Nation's geopolitical security.

In FY 2016, Federal and American Indian energy and mineral resource revenues totaled \$6 billion. In FY 2018 that number grew to \$9.1 billion, and in FY 2019 it exceeded \$11.6 billion, almost double the revenues in FY 2016.

Production of oil and gas on federal lands and waters has also increased in the same time period. In FY 2016, oil production from Federal lands onshore and offshore totaled 749.1 million barrels (mmbbl). In FY 17 that number grew to 803.3 mmbbl, and in FY 2018 it exceeded 831.2 mmbbl, an increase of 10.9 percent over FY 2016.

At the same time, in FY 2019 ONRR disbursed \$5.20 billion to the U.S. Treasury; \$1.76 billion to the Reclamation Fund; \$1.14 billion to American Indian Tribes and individuals; \$1.0 billion to the Land and Water Conservation Fund (LWCF); \$150 million to the Historic Preservation Fund; and \$2.44 billion to state and local governments.

Background

Congress initially addressed the interests of the coastal states in 1953 with passage of the Submerged Lands Act, giving title and ownership of what was then the federal seabed within three nautical miles of the coastline to the states (except Texas and western Florida, where it is nine nautical miles), along with the right to manage all of the natural resources within those boundaries. Following enactment of that Act, coastal states generally control decisions related to leasing and developing these lands, including the collection and distribution of all revenue, generated from mineral development from those lands. Under that Act, the federal OCS – which includes all submerged lands lying seaward of the state submerged lands boundary (three miles from the coastline) to 200 nautical miles from the coastline – remains under federal jurisdiction and development of resources from the federal OCS is managed by the Secretary of the Interior under the Outer Continental Shelf Lands Act (OCSLA).

In 1986, through the amendment of section 8(g) of OCSLA, Congress provided to coastal states 27 percent of all revenues collected on federal oil and gas leases within three miles seaward of the state boundary established in the Submerged Lands Act.

Most recently, in 2006 Congress enacted the Gulf of Mexico Energy Security Act (GOMESA), which put in place revenue sharing considerations for producing coastal states along the Gulf of Mexico.

The GOMESA revenue sharing is split into two phases. During the first phase, which began in 2007 and lasted through 2017, 37.5 percent of all qualified OCS revenues, including bonus bids, rentals and production royalty, were shared among the Gulf oil and gas producing States of Alabama, Louisiana, Mississippi and Texas and their coastal political subdivisions from those new leases issued in the so-called “181 Area” in the Gulf’s Eastern planning area and the 181 South Area. An additional 12.5 percent of these same revenues were allocated to LWCF state grants.

The second phase of GOMESA revenue sharing began in Fiscal Year 2017, and it expands the definition of qualified OCS revenues to include receipts from all other Gulf of Mexico leases issued after December 20, 2006 from 2002–2007 Gulf of Mexico Planning Areas not subject to withdrawal or moratoria restrictions. Importantly, payments to Gulf Coast states and allocations to LWCF state grants in Phase 2 are collectively capped at \$500 million annually from FY 2017 through FY 2019; \$650 million annually from FY 2020 and FY 2021; and \$500 million annually from FY 2022 through FY 2055.

Disbursements to states resulting from onshore energy and mineral leases on Federal lands are covered separately by the Mineral Leasing Act of 1920. States with onshore leases on Federal lands receive approximately 50 percent of the value of the bonus bids, rents, and royalties from the federal lands contained within those states.

Of the \$2.44 billion disbursed to state and local governments in FY 2019, \$2.21 billion was disbursed to states with onshore leases on Federal lands and the remaining \$225.5 million was disbursed to states with leases on the OCS and the 8(g) zone bordering their state waters, with \$215.0 million in GOMESA disbursements and \$10.5 million in 8(g) disbursements.

S. 2418, the COASTAL Act

If enacted, S. 2418 would, generally, amend sections of the GOMESA that fall under section 9 of the OCSLA to require the Secretary of the Treasury to increase the deposit of GOMESA-qualified revenues derived from all rentals, royalties, bonus bids, and other sums payable to the

United States from energy development on the OCS in the Gulf of Mexico region into a special fund in the Treasury from 50 percent to 62.5 percent; the Secretary of the Interior would then be required to disperse an 80 percent share of these revenues to the GOMESA-eligible coastal states and their political subdivisions; the remaining 20 percent share of the revenues would be considered income to the LWCF for purposes of section 2 of that Act.

It would also amend section 102(9) of GOMESA to alter the current revenue-sharing provisions by transferring 12.5 percent of the funds currently going to the U.S. Treasury to the GOMESA-eligible coastal states and their eligible political subdivisions; and eliminate the current \$500 million cap on amounts distributed to the GOMESA-eligible coastal states and the LWCF beginning in FY 2020.

In addition, S.2418 would exclude GOMESA disbursements from the sequestration requirements under the Balanced Budget and Emergency Deficit Control Act of 1985.

Finally, Title II of S. 2418 further amends section 9 of the OCSLA by adding revenue sharing provisions from OCS leases for the state of Alaska beginning in FY 2021, requiring the Secretary of the Treasury to deposit 42.5 percent of revenues derived from all rentals, royalties, bonus bids, and other sums payable to the United States from energy development on the Alaska OCS into a special fund in the U.S. Treasury, to be distributed by the Secretary to the State of Alaska, and 7.5 percent of those revenues into a special fund in the Treasury to be distributed by the Secretary to the eligible coastal political subdivisions of Alaska. The Administration notes the amendments to GOMESA and the OCSLA would come at a substantial cost to the Treasury.

Conclusion

The U.S. Constitution gives Congress the power to enact laws respecting the property belonging to the United States. Our federal resources are managed on behalf of the American people, who all share in their ownership and speak through their elected leaders in Congress. There is a long history of Congress making and changing rules pertaining to these federal resources on behalf of the states, tribes, local governments, and U.S. taxpayers. The Administration's policy is to promote clean and safe development of our Nation's vast energy resources. I am happy to answer any questions that the Committee might have.