S. HRG. 113–122

REVENUE SHARING

HEARING

BEFORE THE

COMMITTEE ON
ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

TO

CONSIDER S. 1273, THE FAIR ACT OF 2013

JULY 23, 2013

Printed for the use of the
Committee on Energy and Natural Resources

U.S. GOVERNMENT PRINTING OFFICE

85–874 PDF WASHINGTON : 2013

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

CONTENTS

STATEMENTS

APPENDIXES

Appendix I

Appendix II

REVENUE SHARING

TUESDAY, JULY 23, 2013

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, DC.

The committee met, pursuant to notice, at 2:35 p.m. in room SD–366, Dirksen Senate Office Building, Hon. Ron Wyden, chairman, presiding.

OPENING STATEMENT OF HON. RON WYDEN, U.S. SENATOR FROM OREGON

The CHAIRMAN. Today the committee has the opportunity to hear testimony on S. 1273, the FAIR Act, legislation authored by two very valuable members of this committee and personal friends, Senator Murkowski and Senator Landrieu. Their bill would provide for the sharing of revenues generated by energy development on the Federal outer continental shelf with coastal States and counties that are located close to that development.

Virtually everywhere in America where there are Federal lands and Federal waters there are practical community leaders working together to find ways for their citizens to have good paying jobs while they enjoy and preserve their scenic treasures.

For example, in visiting Louisiana and Alaska to meet with the constituents of Senator Landrieu and Senator Murkowski, I came away convinced that but for the wonderful Cajun accents of Senator Landrieu's constituents, the meeting resembled those we have in Southern Oregon, where timber industry leaders seek a sustainable harvest on Federal lands so we can employ our people and environmentalists work constructively to preserve old growth. Of course, it takes revenue to pay for the roads and parks and schools that spark private investment in job creation in these communities. Of course, additional revenue is needed for programs that conserve our treasures, our land and our water.

Bumping up against these good causes is a constraint. Actually, make that a sequestered Federal budget. So there are taxpayer issues involved as well as economic development and environmental protection issues.

For example, the Secure Rural Schools Program that is so critical for timber dependent communities in Oregon and 39 other States, expired last year. Finding funding offsets for existing programs, like Secure Rural Schools and the Payment in Lieu of Taxes program, has been difficult, let alone finding funding for new and unifying policies that help all communities with Federal lands and Federal waters.

Senator Landrieu and Senator Murkowski have worked very hard on this issue. They've asked for this hearing. It is a matter of long standing interest to them.

I'm anxious to learn more about the substance of the bill, the economic and environmental benefits, how it would be financed and to start a discussion on expanding support for the communities that provide resources, that in many particulars, enrich our whole country.

Finally, I'm pleased to see that the bill would provide incentives for local governments and States to facilitate the development of renewable energy. Providing for the share of renewable energy receipts makes sense in my view. Of course I've long been a strong advocate of renewable energy which must and will play an increasing role in our energy mix.

So we welcome and thank our witnesses, and particularly express our appreciation to our two colleagues, Senator Murkowski and Senator Landrieu.

Why don't we have your opening statement, Senator Murkowski?

[The prepared statement of Senator Landrieu follows:]

PREPARED STATEMENT OF HON. MARY L. LANDRIEU, U.S. SENATOR FROM LOUISIANA

Mr. Chairman, thank you for convening this hearing today to discuss S. 1273, the FAIR Act.

I would start by saying that it is long past time that we make coastal states the equals of inshore energy producing states by fixing the way that our revenues are distributed. The Federal government has long treated states who host energy production on Federal lands onshore very differently than states that host energy production offshore, which is why Senator Murkowski and I introduced the FAIR ACT:

Currently, under the Mineral Leasing Act, states receive 50% of the revenues generated from coal, oil and natural gas development generated from royalties, bonus bids and royalty payments.

Since 1950, $62 billion has been sent to the Federal treasury from this production, with $31 billion being returned to the states that host the production.

Yet, offshore production has generated $211 billion for the Federal government, yet only $29 million has been shared with the four Gulf States that host that production.

In addition, under the Mineral Leasing Act, another 40 percent of the revenues generated go into the Reclamation Fund, which funds water projects in 17 Western states.

OCS revenues generate approximately $7 billion a year for the Federal Treasury. In 10 years, that $70 billion. Compare this to an informal score by the CBO estimates that the FAIR ACT will cost $6 billion over 10 years.

The FAIR ACT would address the Federal government's inequitable partnerships in three ways: it will Provide up to 37.5% revenue sharing with all states that produce energy off their shores in the OCS, regardless of what type of energy is produced.

It will allow states that produce renewable energy onshore to receive 50% of the revenues generated from that production, which is the same share states receive from coal, oil and natural gas production.

It will accelerate GOMESA payments to 2014 and lift the arbitrary $500 million cap to the four Gulf producing states gradually $100 million every year until the cap is eliminated in 2024.

To many who question the need for this money to be shared, or who question what its ultimate use will be, I would point out that inland states don't have to spend their shared revenues on environmental/conservation activities, while my state, Louisiana ,went even has passed a Constitutional Amendment to require that any funds generated from offshore energy production be used directly to fund our Coastal Master Plan.

This master plan to protect our coast is vital not just to my state, but to the nation, as Louisiana's Delta, aka America's wetlands, contribute over $3 trillion to our economy annually, through seafood production, oil and gas and shipping. For example, 13 of the top 20 ports by tonnage are located along the Gulf Coast, and over 60% of our grain export flows through ports near the mouth of the Mississippi.

This region faces a dire threat, however, and one that needs to be addressed quickly. Since 1932, we have lost over 1900 square miles of coast, and continue to lose 25 square miles per year-the equivalent of one football field per hour.

I believe then, that is essential that we implement the changes laid out in the FAIR Act, not only to fix a long standing inequity, but also to prevent the loss of a vital part of America.

STATEMENT OF HON. LISA MURKOWSKI, U.S. SENATOR FROM ALASKA

Senator MURKOWSKI. Thank you, Mr. Chairman.

I appreciate your comments, but more importantly your willingness to work with us, myself, Senator Landrieu, as we try to advance this concept of revenue sharing. I appreciate the opportunity to discuss the FAIR Act. Providing revenue sharing from my State and all coastal States has been a priority of mine for many years. I appreciate your willingness to help me move this issue forward.

It's also a joint effort, of course, with my colleague, Senator Landrieu. So thank her in advance for working this bill to this point. I know, of course, it's a very important issue to the folks in Louisiana and the other Gulf States as well.

We do have a great panel of witnesses today. We have a very distinguished panel.

We're fortunate this afternoon to have Mayor Charlotte Brower from the North Slope Borough in Alaska. It's a big sacrifice to leave home this time of year when the weather is good and come here to Washington, DC where the weather is not good. So I appreciate, Mayor, that you have come to Washington, DC to provide the Alaska perspective.

Thanks to the rest of you that will join us. I appreciate your views on the FAIR Act as well.

I do have to say at the outset, I was very, very disappointed to read the Administration's testimony opposing the FAIR Act. I believe is has completely missed the point of our bill and the efforts to move it forward. The FAIR Act is about bringing parity to the Federal revenue sharing program, both onshore and offshore.

Our bill extends the outer continental shelf revenue sharing program to all coastal States where oil and natural gas development may occur. It also extends the onshore and offshore revenue sharing programs to include alternative and renewable sources of energy, as you have noted, Mr. Chairman. So when I say there is something in this bill for every State, I truly do mean that.

Since it was first introduced we have stated our desire to work with the Administration, our colleagues here on the committee and others to ensure that. This is why the Administration's opposition and apparent disinterest in working with us on this bill, as expressed in the written testimony that we have received, strikes me as disingenuous. I do hope that I have misread the Administration's position, that the hearing today is only the beginning of our discussion on these issues and that the Administration will work with us as we move this bill through the legislative process.

Now there's been a lot of discussion about the benefits that flow to coastal States and communities from offshore energy development. But not that much about the impacts to these areas that results from this development. We will hear this afternoon from Mayor Brower, Mr. Dupre and Ms. France, the importance of and the need for revenue sharing for our coastal States and communities.

These funds are absolutely critical for infrastructure to support offshore energy activity, emergency and oil spill preparedness and response capabilities, mitigation and restoration projects and to meet increased demands on public services. Of course this list is not exhaustive. Revenue sharing is vital for these areas to adequately respond to all sorts of impacts associated with enormous influxes of people and equipment.

Now I also believe that the FAIR Act supports the energy and the conservation goals that are supported by our Administration.

First, it provides States with the incentive to support clean energy projects by requiring them to set up funds for programs related to alternative and renewable energy, energy efficiency, energy research and development and conservation, if they want to receive additional revenues from energy development on the OCS.

Second, it provides a dedicated revenue stream to the Land and Water Conservation Fund. I know of no other funding source today that can provide this level and a stable level of revenues to LWCF.

Now I'd be remiss if I didn't mention concerns raised about the costs associated with our bill. Frankly I think this is somewhat the short sighted view of its benefits including increased revenues and jobs that flow to the Federal Government and our economy from increased offshore energy development. States and communities will have less incentive to support this development if they're expected to shoulder risks and absorb impacts with no opportunity for revenue sharing. That may be the reason why some wish to stop our bill from passing, but if that is the reason, I hope that we will hear it admitted plainly.

Now I would also remind the committee that Senator Landrieu and I are committed, as we have been from the beginning, to find acceptable offsets for this bill.

So to sum up.

Coastal States and communities are impacted by and share the risks of energy development off of their shores just like States with development on Federal lands within their borders. It is only fair that they be similarly treated. Given the impacts associated with commercial development of alternative and renewable energy sources, both onshore and offshore, it is only fair that the States also share in these revenues.

So Mr. Chairman, again, appreciate the opportunity to have this issue before the committee. I look forward to the testimony from both panels and to working with you on these important issues.

The CHAIRMAN. Thank you, Senator Murkowski.

At this time we'll start with the testimony.

Ms. Pamela K. Haze, Deputy Assistant Secretary for Budget, Finance, Performance at the Department of the Interior.

Senator Landrieu has always been so helpful that she's not making an opening statement. I think what we'll do, Ms. Haze, after your statement, we'll start with questions from Senator Landrieu and then Senator Murkowski, but all our colleagues get a chance to ask questions.

Ms. Haze, we'll make your prepared statement a part of the record and please proceed.

STATEMENT OF PAMELA K. HAZE, DEPUTY ASSISTANT SECRETARY, BUDGET, FINANCE, PERFORMANCE AND ACQUISITION, DEPARTMENT OF THE INTERIOR

Ms. HAZE. Good afternoon.

Thank you Chairman Wyden, Senator Murkowski and members of the committee for welcoming me here today to testify on behalf of the Department of the Interior. I'll try and keep my remarks brief, but this is a complex issue. I know you're anxious to move on to ask questions.

As you introduced me already, my job in the Department of the Interior is to work with the Secretary in overseeing the Department of the Interior's budget and fiscal resources. I work closely with the bureaus and offices that oversee the offshore and the onshore energy programs and the offices that collect and distribute revenues from these activities. I am here today to express the Administration's views about the FAIR Act, S. 1273, Fixing America's Inequities with Revenues.

The Department of the Interior is the steward of the Nation's lands and waters including 500 million acres of public lands or about 20 percent of the United States, 700 million acres of subsurface lands and 1.7 billion acres of the outer continental shelf.

On these lands and waters there is a rich diversity of resources that are drivers for the national economy. In 2011 oil, gas, coal, hydropower, wind power, geothermal power, solar power and other mineral activities on Interior managed lands and waters supported nearly 1.5 million jobs and $275 million in economic activity. We collect $13 to $15 billion annually, billion dollars annually, from mineral extraction and other activities of which $5 billion is shared with States, tribes, counties and others.

Onshore energy management is conducted by the Bureau of Land Management and is guided by the Federal Land Policy and Management Act.

Leasing and mineral development and the disposition of revenues are guided by the Mineral Leasing Act and related laws.

The Bureau of Ocean Energy Management and the Bureau of Safety and Environmental Enforcement are responsible for the management of the outer continental shelf. They ensure that development of oil and gas resources is done in a manner that is operationally safe and environmentally sound.

The Office of Natural Resources Revenue is responsible for the management of the mineral revenues generated from Federal and Indian lands onshore and offshore. This revenue management effort is one of the Federal Government's greatest sources of nontaxed revenues.

Because these Federal lands and resources belong to the public, our goal is to ensure environmentally responsible development with a fair return to the American people, tribes and individual Indians for the use of the resources.

The distribution of revenues associated with onshore Federal lands is generally split between the States and the Federal Government.

Onshore, under the Mineral Leasing Act, 50 percent of the money is distributed directly to the State within which the specific lease is located; and 40 percent to the Reclamation Fund of the U.S. Treasury which finances the Bureau of Reclamation's Water projects; and the remaining 11 percent goes to Treasury's General Fund.

Alaska receives an 89 percent share of the revenues from certain leases located on Federal lands within Alaska.

The distribution of revenues generated by the offshore program is dictated by the Outer Continental Shelf Lands Act. Coastal States control the area and revenues associated with development that is within 3 miles of the coastline. The balance of the outer continental shelf is managed by the Federal Government.

For the area that is within 3 miles of the State boundary, 27 percent of revenues generated are shared with the States. This is the 8(g) zone.

For outer continental shelf areas beyond the 8(g) zone, revenues generated are distributed as $900 million deposited in the Land and Water Conservation Fund, $150 million to the Historic Preservation Fund, and 4 Gulf producing States, Alabama, Louisiana, Mississippi and Texas and their eligible coastal, political subdivisions, receive 37.5 percent of qualified revenues from certain leases in the Gulf of Mexico.

An additional 12.5 percent of revenues are allocated to provide financial assistance to States in accordance with section 6 for State grants from the Land and Water Conservation Fund.

States within 15 nautical miles of a renewable project are eligible to share in a portion of 27 percent of the revenues generated from leasing and operation.

A portion of the rental income is used by our agencies to fund ongoing operations and management of the OCS.

The balance of funds are deposited in the general Treasury.

Beginning in fiscal year 2017 revenue sharing authorized by the Gulf of Mexico Energy Security Act, which I'll commonly call GOMESA, expands to include additional leases. We expect that the revenue distributions to these coastal States will exceed the authorized cap of $500 million.

In addition to these revenue disbursements, we allocate over $5 billion annually to States and others in the form of grants and other forms of assistance.

A recent example is the Coastal Impact Assistance program established in the Energy Policy Act of 2005. This program authorizes the distribution of nearly $1 billion to eligible States and their coastal, political subdivisions. Eligible States under this program that receive funds include Alabama, Alaska, California, Louisiana, Mississippi and Texas.

With regard to the FAIR Act you've seen my written statement. I'm sorry you're disappointed. The Administration is mindful of the view of coastal States that assert a certain interest in revenue generated from offshore leasing and production. However, we believe that the Congress has addressed these interests with the passage of the Submerged Lands Act, amendments of the Outer Continental Shelf Lands Act and the Gulf of Mexico Energy Security Act.

The issues that lead to the Administration's position on the FAIR Act are important to talk about.

The first one, the revenue sharing provisions of the FAIR Act would reduce the net return to taxpayers from development of Federal resources and have a significant impact to the Federal Treasury and increase the deficit.

Second, the bill does not support the President's policy goals for conservation and energy outcomes. If enacted the FAIR Act would result in a disbursement of 27.5 percent of all OCS revenues to coastal States and their political subdivision and 10 percent of the revenues to coastal States that establish funds to support projects relating to alternative and renewable energy, energy research and development, energy efficiency or conservation activity.

It would also amend GOMESA to accelerate revenue sharing provisions, reduce the amount shared with the Land and Water Conservation Fund and revise the current $500 million cap on amounts distributed to increase by $100 million per year until 2025 when the cap would be removed.

Enactment of the bill would have significant impacts to conservation programs. The insufficient Land and Water Conservation Fund funding in the bill and the exclusion of the majority of Land and Water Conservation Fund programs, such as Federal acquisition, are major concerns and are inconsistent with the President's budget request for mandatory dedicated funding for the Land and Water Conservation Fund programs.

Enactment would also impact the President's proposal for a new energy trust fund for research focused on cost effective transportation alternatives to be funded from Federal oil and gas management.

Onshore the FAIR Act would amend section 35 of the Mineral Leasing Act to require the Secretary of the Interior to disperse 50 percent of receipts from the development of onshore alternative or renewable energy to the State within the boundaries of which the energy source is located.

According to information issued by the Congressional Budget Office, direct spending would increase by $6 billion over the period 2015 through 2023 based on enactment of the FAIR Act.

That is the conclusion of my statement. I appreciate the time. I'm here and happy to answer questions.

Thank you.

[The prepared statement of Ms. Haze follows:]

PREPARED STATEMENT OF PAMELA K. HAZE, DEPUTY ASSISTANT SECRETARY, BUDGET, FINANCE, PERFORMANCE AND ACQUISITION, DEPARTMENT OF THE INTERIOR

Chairman Wyden, Ranking Member Murkowski, and members of the Committee, I am pleased to appear before you today to discuss S. 1273, the Fixing America's Inequities with Revenues (FAIR) Act of 2013, which would change existing leasing and revenue sharing laws to provide additional funds from revenue generated by energy production on federal lands and waters to states. The Administration is committed to ensuring that American taxpayers receive a fair return from the sale of public resources. The revenue sharing provisions of S. 1273 would ultimately reduce the net return to taxpayers in every state from the development of offshore energy resources owned by all Americans, have significant and long term costs to the Federal Treasury, and increase the federal deficit. In addition, the bill does not appear to be targeted to achieve clear conservation or energy policy outcomes. For these reasons, the Administration cannot support the bill.

INTRODUCTION

As the President has stressed, the Administration is committed to promoting safe and responsible domestic oil and gas production as part of a broad energy strategy that will protect consumers and reduce our dependence on foreign oil. The Department of the Interior manages the public lands and federal waters that provide resources critical to the Nation's energy security; is responsible for collecting and distributing revenue from energy development; and ensures that the American taxpayer receives a fair return for development of those federal resources.

The lands and resources managed by the Department are vast. Onshore, in the 34 states where federal leases are located, over 37 million acres are under lease. Offshore, the Department has made 60 million acres available for development in the past three offshore lease sales alone. In the Gulf of Mexico alone there are over 32 million acres under active lease. These onshore and offshore lands are a huge economic engine. The development of 23 percent of domestic energy supplies is overseen by the Department, and it collects an average of over $10 billion annually through mineral extraction and other activities. Roughly half of these revenues are shared annually with states, tribes, counties, and other entities, and the remainder is deposited in the Treasury's General Fund to contribute to deficit reduction. Funds are also disbursed to coastal states under the revenue sharing provisions of the Outer Continental Shelf Lands Act and the Gulf of Mexico Energy Security Act (GOMESA).

We take seriously our responsibility to the public for the stewardship of our nation's natural resources and public assets that generate royalty revenue from federal leases. As described in more detail below, revenue generated from leases on the OCS is directed to the U.S. Treasury and is used to fund federal conservation programs through contributions to the Land and Water Conservation Fund and the Historic Preservation Fund. The Administration strongly supports the LWCF and the core values it represents and agrees that a portion of the proceeds from the sale of these public assets should be reinvested in something of lasting value for all Americans in every state.

The Administration is mindful of the long-held view that coastal states should share the benefits of energy development that takes place offshore. Although coastal states clearly enjoy significant economic benefits from offshore development in the form of jobs and state and local tax revenues, there is also significant revenue generated from offshore leasing and production in which coastal states claim an interest. Congress initially addressed the interests of the coastal states in two ways; first, in 1953, with the passage of the Submerged Lands Act, which allows coastal states to claim a seaward boundary up to three geographical miles from their coastlines, and; second, in 1986, through the amendment of section 8(g) of the OCSLA, under which the Secretary of the Interior provides to coastal states 27 percent of all revenues collected on federal oil and gas leases within three miles of the state boundary established in the Submerged Lands Act. Lastly, in 2006 Congress enacted the Gulf of Mexico Energy Security Act, which put in place revenue sharing considerations for coastal states. These Congressional actions are discussed in further detail below.

DEVELOPMENT OF FEDERAL RESOURCES

Recognizing that America's oil and gas supplies are limited, we must develop our domestic resources safely, responsibly, and efficiently, while at the same time taking steps that will ultimately lessen our reliance on foreign energy sources.

Onshore, the Bureau of Land Management administers over 245 million surface acres—more than any other federal agency—which are located primarily in 12 western States, including Alaska, as well as about 700 million acres of onshore subsurface mineral estate throughout the nation. Together with the Bureau of Indian Affairs, it also provides permitting and oversight on approximately 56 million acres of land held in trust by the federal government on behalf of tribes and individual Indian owners. BLM is also working with local communities, tribes, states, industry, and other federal agencies to build a clean energy future.

Guided by the Federal Land Policy and Management Act, BLM manages public lands under a multiple-use mandate, and considers a wide variety of factors in its land management decisions. These include industry interest, conservation values, protection of the environment, as well as other potential uses of the land. Leasing and mineral development is guided by the provisions of the Mineral Leasing Act and related laws, and rights-of-way for renewable energy projects issued under FLPMA.

These federal lands and resources, located within state boundaries, belong to the public and, as directed by law, BLM places a high priority on requiring that energy leasing and development are conducted in a scientifically-based, environmentally-sound manner while balancing other multiple uses and resource values. The goal is to ensure environmentally responsible development of resources on federal and Indian lands with a fair return to the American people, states, counties, tribes, and individual Indians for the use of their resources.

Offshore, title and ownership of the federal seabed within 3 nautical miles of the shore (except Texas and western Florida, where it is 9 nautical miles), along with right to manage all of the natural resources within those boundaries, was given to coastal states by an Act of Congress, the Submerged Lands Act, in 1953. 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 Outer Continental Shelf—that portion of the lands under the high seas beyond the state boundaries set in the Submerged Lands Act—remain under federal jurisdiction, and development of resources from the OCS is managed by the Secretary of the Interior under the Outer Continental Shelf Lands Act. Prior to the enactment of GOMESA in 2006, the only general revenue sharing from leases in the federal waters of the OCS came from section 8(g) of the OCSLA, in which Congress directed the Secretary to pay to coastal states 27 percent of the bonuses, rents and royalties collected within three nautical miles of the state boundary. This amendment to the OCSLA was intended to provide a fair and equitable division of Federal revenues from near-shore leases and thereby resolve a Federal-State dispute regarding drainage of oil and gas resources from "common pool" lands.

Through its offshore agencies, the Bureau of Ocean Energy Management and the Bureau of Safety and Environmental Enforcement, the Department manages access to and development of the energy and mineral resources on the OCS in a manner that is operationally safe and environmentally sound, prevents waste, and provides a fair return to the taxpayer for these federal resources. The Office of Natural Resources Revenue is responsible for the management of the mineral revenues generated from federal and Indian lands onshore and on the federal OCS.

Development and planning on the OCS is guided by section 18 of the OCSLA, which requires the Secretary to prepare the 5-Year Program consisting of a 5 year schedule of proposed lease sales that shows size, timing, and location of leasing activity as precisely as possible. The OCSLA mandates that the 5-Year Program must balance the priorities of meeting national energy needs, ensuring environmentally sound and safe operations, and assuring receipt of fair market value to the taxpayer.

This is a public planning process during which the economic, social, and environmental values of the renewable and nonrenewable resources in the OCS and the potential impact of oil and gas exploration on other resource values of the OCS and the marine, coastal, and human environments are evaluated. Throughout, the Department's analysis is based on science and research obtained through the Environmental Studies Program, Technology Assessment and Research Program, and studies from other sources such as other Federal and State agencies, the National Academy of Sciences, and universities.

In order to balance the priorities of national energy needs, environmental protection and receipt of fair market value, the OCSLA requires the Secretary to consider information on the geographical, geological, and ecological characteristics of each region; equitable sharing of development benefits and environmental risks; regional and national energy markets; other uses of the OCS; interest of potential oil and gas producers; the laws, goals and policies of the affected states; the relative environmental sensitivity and marine productivity of different areas of the OCS; and the relevant environmental and predictive information for different areas of the OCS.

The 5-Year Program thus initiates the process of deciding how, when and where it is appropriate to offer oil and gas leases on the OCS. It is a detailed, carefully executed, and public process and it is based on sound scientific analysis. A key part of safe and responsible development of our oil and gas resources is recognizing that different environments and communities require different approaches and technologies. The Program reflects this recognition, and accounts for issues such as current knowledge of resource potential, adequacy of infrastructure including oil spill response capabilities, Department of Defense priorities, and the need for a balanced approach to our use of natural resources.

Nearly 219 million acres on the OCS will be considered for leasing in the current Five Year Outer Continental Shelf Oil and Gas Leasing Program for 2012-2017 (Five Year Program.) And the current Five Year Program makes all of the OCS areas with the greatest resource potential available for oil and gas leasing. Together, these areas contain more than 75 percent of the undiscovered, technically recoverable oil and gas resources estimated to exist on the OCS. The third lease sale from the Five Year Program, scheduled for this August, will offer 21 million acres offshore Texas—all the available unleased acreage in the Western Gulf of Mexico.

The majority of lease sales are scheduled for areas in the Gulf of Mexico, where resource potential and interest is greatest and where infrastructure is most mature. But it also includes frontier areas, such as the Arctic, which holds substantial oil and gas potential, but also presents unique environmental and operational challenges. In the Arctic we must proceed cautiously, safely, and based on the best science available.

We also note that, since the Deepwater Horizon disaster the Administration has taken a number of actions to improve the safety of offshore drilling. Important offshore drilling safety reforms still necessitate action by Congress and the Administration urges the Committee to pass those important measures.

REVENUE DISTRIBUTION

As noted above, while coastal states manage revenues associated with activities in state waters, the Office of Natural Resources Revenue is responsible for the management of revenues associated with federal offshore, onshore, and Indian leases, as well as revenues received as a result of onshore and offshore renewable energy efforts. This revenue management effort is one of the federal government's greatest sources of non-tax revenues.

The federal government has been collecting revenues from mineral production from onshore federal lands since 1920, from Indian lands since 1925, and from federal offshore lands since 1953. Since 1982, Interior has disbursed $243 billion in mineral leasing revenue to key federal programs, state and Indian recipients, and the U.S. Treasury.

The distribution of revenues associated with onshore federal lands is generally split between the states and the federal government. Onshore, under the Mineral Leasing Act, 50 percent of the money (net of a deduction for administrative costs) is distributed directly to the state within which the specific lease is located; 40 percent is sent to the Reclamation Fund of the U.S. Treasury, which finances the Bureau of Reclamation's water projects in 17 western states; and the remaining 10 percent goes to the Treasury's General Fund. Alaska receives a 90 percent share of the revenues from certain leases located on federal lands within Alaska (net of the administrative cost deduction), as mandated by provisions of the Alaska Statehood Act.

For offshore leases on the OCS, ONRR distributes collected money to U.S. Treasury accounts. In recent years, annual deposits have included nearly $900 million to the Land and Water Conservation Fund and $150 million to the Historic Preservation Fund. The remainder is sent to the U.S. Treasury's General Fund where it significantly contributes to reducing the Federal deficit.

Additionally, a portion of revenues from certain offshore federal leases—adjacent to the seaward boundaries of coastal states—are shared with eligible coastal states and political subdivisions. Currently, there are three offshore revenue sharing programs through which ONRR distributes a share of revenue from certain federal offshore leases to coastal states.

Under the 1978 Amendments to the OCSLA, certain coastal states and the federal government share revenues from OCS oil and gas leases. The applicable leases are those located on the OCS within 3 nautical miles of the state's seaward boundary. Referenced above, this three mile-wide area is commonly referred to as the "8(g) zone." The 1986 amendments to the OCSLA require that an affected coastal state receive 27 percent of revenues generated from the leasing and development of federal oil and gas resources located in the 8(g) zone.

The Energy Policy Act of 2005 also provided for coastal states and the federal government to share revenues from certain OCS renewable energy leases. These leases may be located within 3 nautical miles of state submerged lands. States within 15 nautical miles of the center of a project are eligible to share in a portion of 27 percent of the revenues generated from the leasing and operation of renewable energy leases.

Finally, section 105 of the Gulf of Mexico Energy Security Act of 2006 (GOMESA) established oil and gas revenue sharing from federal leases in the Gulf of Mexico for the four Gulf producing States—Alabama, Louisiana, Mississippi, and Texas—and their eligible coastal political subdivisions, as well as the Land and Water Conservation Fund. In general, GOMESA provides for the distribution of 37.5 percent of qualified revenues among the four States and their coastal political subdivisions. An additional 12.5 percent of revenues are allocated to provide financial assistance to states in accordance with section 6 of the LWCF.

The GOMESA revenue sharing is split into two phases. During the first phase, which began in 2007, 37.5 percent of all qualified OCS revenues, including bonus bids, rentals and production royalty, are 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 are allocated to LWCF state grants.

The second phase of GOMESA revenue sharing is scheduled to begin 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; this significantly reduces the long-term cost to the Treasury relative to a scenario in which the full 50 percent of qualified OCS revenues are spent on direct payments to Gulf Coast states and LWCF state grants.

There have been other programs that distribute assistance derived from revenue from the OCS to states and local governments. A recent example is the Coastal Impact Assistance Program, established in the Energy Policy Act of 2005. This program authorized the distribution of $1 billion, in increments of $250 million per year, of OCS revenues in each of fiscal years 2007-2010 to eligible states and their coastal political subdivisions. Eligible states under this program include states with production in adjacent federal waters of the OCS; Alabama, Alaska, California, Louisiana, Mississippi, and Texas. The funds were made available through a grant program for authorized uses specified in the Act, including the conservation, protection or restoration of coastal areas; mitigation of damage to fish, wildlife and natural resources; and mitigation of the impact of OCS activities through funding onshore infrastructure projects and public service needs.

S. 1273, THE FAIR ACT

If enacted, S. 1273 would, generally, amend section 9 of the OCSLA to require the Secretary of the Treasury to deposit 37.5 percent of all revenues derived from all rentals, royalties, bonus bids, and other sums payable to the United States from energy development on the OCS into a special fund in the Treasury; the Secretary of the Interior would then be required to disperse a 27.5 percent share of these revenues to coastal states and their political subdivisions; the remaining 10 percent share of the revenues would be paid to coastal states that establish funds to support projects relating to alternative and renewable energy, energy research and development, energy efficiency, or conservation activity.

It would also amend section 102(9) of GOMESA to accelerate the revenue sharing provisions of that Act; reduce the amount shared with the LWCF; and revise and eventually eliminate the current $500 million cap on amounts distributed to Gulf Coast states and LWCF. The cap would be increased by $100 million per year until FY 2025, at which point the cap would be removed entirely. We note that the cost to the Treasury of eliminating the cap would be significant, and based on current revenue projections and trends, would eventually be in the billions of dollars annually.

According to the Department's preliminary calculations made since S. 1273's introduction a week ago, the bill would likely result in a reduction of more than $5 billion in deposits to the Treasury through 2022, and the rate of reduction in deposits would dramatically increase thereafter. This loss of revenue to the Treasury is a major concern for the Administration as Agencies are already forced to do more with less under sequestration.

It is also significant to note that S. 1273 would provide only $62.5 million per year—slightly less than 7 percent of LWCF's annual $900 million commitment—to only one aspect of LWCF, the state grants component. While the Administration appreciates implicit recognition that there is a connection between the OCS and LWCF, the insufficient LWCF funding in the bill and the exclusion of the majority of LWCF programs are major concerns, and are inconsistent with the President's budget request to establish mandatory dedicated funding for LWCF programs, with full funding at $900 million annually beginning in 2015. Enactment of a mandatory LWCF program is a central element of the President's conservation agenda and would ensure continued funding for this program designed to make investments in conservation and recreation for the American people to balance the development of oil and gas resources through the use of its proceeds.

Onshore, it would amend section 35 of the Mineral Leasing Act to require the Secretary of the Interior to disburse 50 percent of receipts from development of onshore alternative or renewable energy to the State within the boundaries of which the energy source is located. The Administration believes that any new disposition of federal energy revenues should be targeted to achieve clear conservation and energy policy outcomes.

The Obama Administration has made clear its commitment to reduce the deficit and put the Nation on a sound fiscal course. The 2014 budget request provides a balanced approach to achieve $1.8 trillion in additional deficit reduction over the next ten years and replace the cuts required by sequestration. The President's Budget for 2014 relies on a balanced approach to providing a fair return the Treasury and taxpayers from federal energy revenues; the budget counts on the expected collections of revenues to fulfill commitments made in the budget to the American public, including for example funding the Land and Water Conservation Fund, the Historic Preservation Fund, and a new Energy Security Trust Fund that would set aside $2 billion over ten years for critical, cutting-edge research focused on finding cost-effective transportation alternatives to oil to protect American families from spikes in gasoline prices and allow us to run our cars and trucks on electricity or homegrown fuels.

As discussed above, the revenue sharing provisions of S. 1273 would ultimately reduce the net return to taxpayers from development of the federal resources on the OCS and affected by the bill, and would add to the federal deficit. For these reasons, the Administration cannot support the bill.

Moreover, the Administration has proposed as part of the President's Budget a range of oil and gas management reforms that it believes will allow taxpayers to receive a better return on development its oil and gas resources. In addition, these reforms will provide appropriate incentives for companies to diligently develop their unused Federal oil and gas leases—held both on and offshore on the OCS. Today, more than 70 percent of the tens of millions of offshore acres under lease are inactive, including almost 27 million inactive leased acres in the Gulf of Mexico. Onshore, about 57 percent of leased acres—almost 22 million acres in total—are neither being explored nor developed. The American taxpayer, and states as well, will benefit from this production and the higher federal revenue generated as a result of these reforms.

CONCLUSION

Mr. Chairman, these federal resources are managed for the good of the American people, who all share in their ownership. Because this legislation will reduce the net return to the public, who own this resource; would negatively impact the conservation programs funded through the LWCF; misses an important opportunity to improve our energy security by establishing and funding the Energy Security Trust; and adds to the federal deficit, the Administration cannot support S. 1273. I am happy to answer any questions that the Committee might have.

The CHAIRMAN. Thank you very much, Ms. Haze.

We're going to start with questions from Senator Landrieu and then Senator Murkowski.

Senator LANDRIEU. Thank you very much.

Let me begin by thanking you, Mr. Chairman, for your very supportive and eloquent opening statement to this important hearing.

I also want to thank the ranking member for your strong partnership, Senator Murkowski, and for your drafting expertise and support to get this bill not only introduced with me, but secure this hearing for today.

I also want to associate myself with both of their opening remarks and to underline with Senator Murkowski said how disappointed she is in the Administration's seemingly opposition and disinterest. I would just take it a little step further to say after losing 14 hundred lives in the rising flood waters, devastating flood waters, of Katrina. Fourteen hundred people were killed in my State. In the devastation that ensued, I find it tragic, the Administration's position on this issue.

Seemingly heartless given the great challenge that's before the Gulf Coast States and many of our coastal States with rising tides and rising sea levels and changing atmosphere. I would describe it more than just opposition and disinterest. I think it's tragic.

I want to ask you something, Ms. Haze. Is it your intention or the Department's intention to continue to perpetuate a double standard between interior States that keep 50 percent of their revenues from coal, oil and gas verses coastal States that virtually receive nothing, as you know, virtually nothing? I'm sure you're familiar with those numbers.

I'd like, if you could, answer the question then put those numbers in the record.

Ms. HAZE. If I could, I'd first like to clarify that my testimony does not say that we oppose the bill. It says we cannot support it.

Senator LANDRIEU. It's the same thing. But go ahead, please answer my question.

Ms. HAZE. To us it was different.

So I think I would say to you, based on the existing laws that are in place and based on the Administration's position which I've just explained. I'm here to say that we would continue to fund, to do revenue sharing based on the existing laws with the——

Senator LANDRIEU. So you do support the interior States maintaining 50 percent of all revenues generated from coal, oil or gas or other minerals? Do you know how much that has brought in?

Ms. HAZE. Yes, Ma'am.

Senator LANDRIEU. Since the 1950s, just roughly? I know it's been going on since 1920, but since the 50s to those States?

Ms. HAZE. I don't know that off the top of my head since the 1950s, no.

Senator LANDRIEU. Do you have it from the 1920s?

Ms. HAZE. I do not.

Senator LANDRIEU. OK, I'll tell you what it is from the 1950s.

Ms. HAZE. Alright.

Senator LANDRIEU. It's $30 billion that the Western States have maintained.

Now it's very interesting to me that the President seems to have some difficulty with the way that the Senator and I are allocating or expressing that the moneys that the coastal States would receive would go to conservation. Are you aware that these moneys are not directed to conservation in any way?

Are you aware that there are no restrictions on the 50 percent for Federal—for interior States?

Ms. HAZE. I am aware that——

Senator LANDRIEU. That they do not have to be spent on any conservation, any environmental, anything related to the environment whatsoever. There's nothing in the law that requires that.

Ms. HAZE. I do understand that.

Senator LANDRIEU. So that the President is still, although our bill, the FAIR Act, would require that the funding go for conservation. He still doesn't see any benefit in that?

Let me ask you this question.

Are you aware that the coastal area that I represent—well, first of all let me ask you this?

Are you aware that this battle has been going on for 61 years when President Truman suggested this?

The Congress should provide for the distribution of revenues obtained from oil and gas leases on under seas land. S Resolution 20 would have guaranteed the adjacent coastal States 37.5 percent of the revenues from submerged lands which you referred to in your testimony. He said, I would have no objection to such a provision which is similar to existing provisions under which the States receive 37.5 percent of the revenues from Federal Government's oil producing public lands within their borders.

I'm sure that you've read all of the history which is, you know, reads like a, you know, modern day drama and saga about this going on since the 1920s when interior States got 37 percent. Coastal States got nothing. Truman offered us 37.5 percent. It's a long and sad story about why that never happened.

But now interior States not only get 50 percent of their revenues with no restrictions how they're supposed to spend it, but over subsequent years they get an additional 40 percent to mitigate against the damage caused by the mineral extraction. Meanwhile all these 60 years the coastal States, including Louisiana, have lost the size of the State of Delaware. I don't know if Ms. Haze may not be familiar with the largest erosion going on on the Continental United States.

Are you familiar with this map? I think you all produced it.

Ms. HAZE. I am.

Senator LANDRIEU. The red is land loss since the 1950s. Now just bear with me for just 1 minute on this.

The land loss is from the 1950s. We've lost 19 thousand square miles. It's the largest land loss in the lower 48 and maybe in the entire United States.

Are you familiar with a gentleman named John Barry, who wrote Rising Tide, a renowned author and he wrote the Great Influenza?

Ms. HAZE. I am not.

Senator LANDRIEU. OK.

Well, you might want to pick up, particularly the Rising Tide which is a seminal book written on the Mississippi River and the Corps of Engineers. I just want to read into the record to end my first round of questioning here, Mr. President.

John Barry, who is literally one of the leading experts in the world, he writes,

To protect the national interest this issue, Speaker Gingrich. He's referring to an I call for passage of GOMESA. We were happy to see basically, I'm paraphrasing, GOMESA passed. The law did pass. But it gave the goal from Louisiana even particular, not even close to half a loaf. In effect the Gulf Coast States got one slice of bread to split between them while inland States with producing lands to continue to get the entire loaf.

But this is the key that I wanted to add here. He says that because of dams constructed in Montana and in other States at 100 percent Federal expense, one third of the sediment coming down the Mississippi River, we have less than one third of the settlement coming down from the Mississippi River which is what is exacerbating this land loss.

So, I mean, to conclude here. The people of my State cannot even begin to understand the position of this Administration to support, not 50 percent, 90 percent retention basically, of revenues to interior States that do not experience land loss, sink-age. That have not lost 14 hundred people in floods in one hurricane.

Yet the coastal States which have produced and what's the number please, Luce? It's not 61? It's how much money?

It's $211 billion, $211 billion is produced off of our shore. We can't seem to negotiate a fair share of that when 19 thousand square miles has been lost.

This whole entire river functions as an economic lifeblood for the entire Nation, not just the 4.5 million people that live here. So that is the basis of the FAIR Act.

My time has expired. I have several more questions. If we have time, Mr. Chairman, I'd like to ask Ms. Haze a few more questions.

The CHAIRMAN. Without objection the material Senator Landrieu has referred to, they'll be put into the record.

Let's see how far we can go. Maybe we can have some time for another couple of questions. I know Senator Landrieu has put an enormous amount of time into this effort as has Senator Murkowski.

Ms. HAZE. Could I just respond to——

The CHAIRMAN. Of course.

Ms. HAZE. I can't respond to all of that history. I'm not familiar with it.

But I would tell you I personally am very familiar with your tireless work in this regard. So I did want to complement you on that.

Senator LANDRIEU. I appreciate that. But it's getting to the point where if we don't get some resolution on this I just don't know where else we turn if we can't use our own money that we basically generate and happy to share it with the Federal Government to use a portion of it to save a coast that's valuable asset to the whole Nation. I would argue, the world. But thank you.

Ms. HAZE. So, one more response, if I could, is, I think Chairman Wyden referenced this very well. Our revenue sharing programs in the laws that direct us, in terms of the revenue, some revenue sharing programs the funds are provided without a requirement. Some are provided specifically for specific purposes.

There's a diversity of them. They're complex. As you know, they're driven by Congress.

So I think it's really important to have that dialog about that.

The CHAIRMAN. We are going to have that dialog.

[Laughter.]

The CHAIRMAN. Senator Murkowski.

Senator MURKOWSKI. Let the dialogs begin.

But that is exactly what this FAIR Act is about is to try to bring some parity out there. You've mentioned the various laws, statues out there that dictate some of the revenue sharing that goes. What Senator Landrieu and I have been trying to advance is a recognition that right now you have a double standard. You have used that terminology and that's exactly what it is.

It somehow is seemingly acceptable and supported and embraced onshore, but yet when it comes to offshore it's rejected as, well, this just doesn't work. Senator Landrieu tried to drill down on this and didn't really get a satisfactory answer, as far as I'm concerned.

Can you explain why the Administration feels that it is acceptable and good policy to allow for a level of revenue sharing on our

Federal lands, as currently exists today, and yet when it comes to our offshore resources this is not something that the Administration can support?

Ms. HAZE. Senator Murkowski, I would not claim that our revenue sharing, our revenue allocation, if you look across the board at all of them, are fair. Trying to respond to your parity question.

What comes to my mind is something that's a little off topic but if you look at the abandoned mine land program where we collect fees off of coal, there is a set source of revenue to go in and remediate and clean up abandoned mines. In the hard rock area though, there isn't anything comparable. We get a claim fee, there is no revenue to clean up thousands of abandoned hard rock mines.

I know that's not the topic of this hearing. But I can't really respond in terms of a fairness or parity discussion between offshore and onshore.

Senator MURKOWSKI. Let me ask the question another way.

In your written testimony, particularly, you discuss the benefits to coastal States and communities that host energy development off their shores. You talk about the jobs. We would agree that there are real benefits.

But yet there's not discussion about the impacts to the coastal communities. Would you acknowledge that there are impacts to our coastal communities as a result from the offshore development?

Ms. HAZE. I would. I would further say that I believe that's why Congress gave the States the role of management of the first 3 miles.

Senator MURKOWSKI. But——

Ms. HAZE. Why we share the 8(g) revenues enacted from GOMESA.

Senator MURKOWSKI. Wait, wait, wait, wait, wait.

The management of the first 3 miles, what we're talking about, particularly in Senator Landrieu's State which, as she has noted, is the bread basket of the U.S. energy world here. It doesn't make any difference if you are one mile from shore, two miles from shore or 30 miles from shore. You still have to go from the offshore to Port Fourchon or to Houma or to wherever to get your supplies, to get your fuel, to get your workers.

Folks fly in they use your airports. They have their children. Then they use your schools. They use your roads.

Up in the North Slope and we will hear testimony from Mayor Brower shortly. We have very limited infrastructure at this point in time. We don't have the road system that connects you all. We've got limited assets in place right now.

As we look to that future activity we know we're going to have to have some infrastructure. We know that that infrastructure does not come cheap. We know that there will be impact because we can see from our neighbors to the south.

So when we talk about well, we have in place a system where the States can derive the benefit if the activity is within 3 miles. You still have to come in from the offshore to receive services. So it's the impact to these communities that we're talking about here. The distance from the shore is seemingly irrelevant.

What I need to hear is that there is an understanding and an appreciation that with offshore development whether it is with oil or gas or wind or whatever renewable might be offshore, that there's a connection, if you will, to the shore. With that connection those communities, that State, is impacted. So the reasonable nature of what we are seeking here with this legislation is that there be revenues that are directed to these impacted areas that would be shared by the Federal Government.

Is that not a reasonable proposition?

Ms. HAZE. I do, I appreciate what you're saying. I do understand the point you're making about the infrastructure and the support needed.

In terms of the FAIR Act I would retreat back to my statement and just say it's very difficult to justify in budget terms. It is, as CBO said, $6 billion. those revenues right now are going into the Treasury. There is not an offset identified. there are tradeoffs.

Senator MURKOWSKI. OK. if we're talking about that, if we're talking about just trying to find an offset, we're going to work to find that offset.

But what I need to know is that the Administration understands that there truly is a double standard that we're talking about here between offshore and onshore. You in your comments indicated that the Administration is, and these are your words, "mindful of the interests of the coastal states."

Ms. HAZE. I did say that, yes.

Senator MURKOWSKI. I need to know that you are mindful and you listen and you understand to what is happening to our coastal States that are impacted.

My time has expired and I will defer to my colleagues here. Maybe we'll have a chance again for a little bit more. But there is an inconsistency here.

If what we're talking about is these are tough budget times and we don't want to take the funding stream that we have enjoyed or would hope to enjoy in the future because we're going to have to share it with the States. Then let's have that discussion. But to somehow suggest that while we've got levels of revenue sharing that have been put in place from prior laws and basically what the States get is what you can produce within 3 miles. I don't think that that is a legitimate argument.

So let's just figure out what it is that we're talking about here.

We're going to have the discussion about how we deal with the offsets.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Murkowski.

Senator Udall.

Senator UDALL. Mr. Chairman, you are a courageous man. We have had periodic dialogs on this important subject for many, many decades actually. I think about the illustrious group of people who have preceded you sitting in that chair, Senator Jackson, Senator Johnson, Senator Murkowski, Senator Bingaman. I do think it's important to have this discussion.

Once again I hope I come with an open mind. I do represent a State in the interior of the country. I think sometimes when we're talking about onshore and offshore it really is an apples to oranges comparison. But I do think this is a worthwhile discussion. I know how important it is to Senator Murkowski and Senator Landrieu.

I do have concerns about the broader effects of the proposal, particularly on the budget side. I did want to share those briefly. Then I want to turn specifically to LWCF, a topic we all are very familiar with.

But on the budget side, I think this, again, speaks to the need. I think all 4 of us sitting here or all five. Senator Heinrich is here as well. We want to get a broad budget deal that puts the Federal Government's balance sheet in a much healthier condition over the long term.

Then we could have some of these spirited discussions about what our priorities are and where we direct Federal revenues. I, for one, would like to see all trust funds, all dedicated funds put off limits starting with social security. It's the granddaddy or the grandmother of all the trust funds. But the Reclamation fund that Ms. Haze talked about and then of course, the LWCF.

If I could I'd just like to visit with all of you about that briefly.

We've seen the benefits in Colorado when it's been appropriately funded. In fact, LWCF underwrote the creation of one of our most iconic national parks, the Great Sand Dunes National Park. It has helped protect some of our most treasured public spaces in the Grand Canyon, the Appalachian Trail. I mean the list is a long one.

I would be remiss if I didn't mention the Great Sand Dunes National Park in particular is in Ken Salazar's homeland. We created a national park but we also protected the water supplies that are so important to the Ag interests in the unique San Luis Valley.

But the LWCF has played such an important role. We made a promise back in 1964 to the American people that as we developed and exploited our oil and gas resources we'd then set aside lands for hunting, for fishing and for recreation and for our future generations for people who are going to follow us. We haven't kept that promise.

I'm frustrated that we're talking today about creating some new demands, as legitimate and as important as they are, when we still haven't fully funded LWCF. We've talked about GOMESA. It did make a minor contribution to LWCF. One that I should note, the FAIR Act, I think Ms. Haze, cuts in half. I think that was a part of what your concern.

Ms. HAZE. Right. That's right.

Senator UDALL. But GOMESA was just dealing with the State portion of LWCF. The Federal portion is equally important. There are crucial elements if we're going to keep faith with the decision that was made in 1964.

So this really shouldn't be a choice between LWCF and anything else. Revenue sharing should be assessed on its own merits.

Meanwhile the deal we all made to fund LWCF is a fairly small portion of these annual offshore revenues. I'd like to see us keep that promise while we debate what the best way is to direct the rest of those resources.

So Ms. Haze, knowing the Administration's proposals for full funding, could you share your perspectives again that are related to my concerns and how you think we could better approach this issue to ensure that we benefit Americans as was intended way back in 1964?

Ms. HAZE. Certainly.

The President's budget proposes full funding, full mandatory funding, for the Land and Water Conservation Fund beginning in 2015. The 2014 budget begins to phase that in.

The Land and Water Conservation Fund has only been fully funded once. The discretionary funds that are deposited in the Treasury sit there and accrue. I think there are $13 billion now unappropriated. Full funds have only been appropriated 1 year and so the funds can continue to accrue.

As you point out we're not fulfilling the commitment of the Land and Water Conservation Fund which was intended to have conservation outcomes funded from the extraction of oil and gas and use of other resources. So that's on the discretionary side.

In the GOMESA authorization, the way it works now is ultimately there would be $125 million annually directed to the State grants portion of LWCF when sufficient revenues kick in from the full slate of leases. Under the concerns we have under the FAIR Act is that ultimately when the cap is lifted from the GOMESA program, we could be looking at up to $2 billion for Land and Water—for those stateside programs.

The FAIR Act would reduce that funding for the Land and Water Conservation Fund to $62.5 million a year. So just a straight comparison is $125 million to $62.5 million.

Senator UDALL. Thank you for that clarification.

Mr. Chairman, if I might, I know my time is expired.

The CHAIRMAN. No, go right ahead.

Senator UDALL. But I wanted to make one additional point. I want to share it with everyone that I appreciate that the bill includes a provision on revenue sharing for onshore development of renewable energy on Federal lands. There is a proposal, a similar proposal, that's laid out in what is a free standing bill. It's a bipartisan Public Lands Renewable Energy Development Act. It's S. 279.

So that concept is well established. One that I think we should pursue. I just want to put that on the record.

Maybe the group of us ought to sit down and we fully fund the FAIR Act and then we fully fund the backlog of LWCF, all $13 billion. Maybe there's a big deal to be had here. I may damage my fiscal hawk credentials, but I think there's a way to find—that's something to think about for the long run because our national parks, public lands, need this attention. These are resources that have not been available, as you point out, Ms. Haze, because they haven't been appropriated.

Ms. HAZE. Could I suggest we also address PILT and Secure Rural School?

Senator UDALL. There's a foursome that would be phenomenal.

The CHAIRMAN. Having sorted for the Udall balanced budget approach I'll reaffirm your fiscal hawk credentials.

Senator UDALL. Thank you. Thank you.

The CHAIRMAN. I know Senator Landrieu would like to make a point too. Senator——

Senator LANDRIEU. I just want to clarify something for the record.

Senator UDALL. Yes, OK. I've taken more time——

The CHAIRMAN. Right. Senator Landrieu to clarify.

Senator LANDRIEU. I just want to clarify something for the record. It is not the intention of Senator Murkowski and I to diminish or decrease the funding to the Land and Water Conservation Fund. It is to remain the same as it is under the law. I'll say more about that later.

If it does, it's not intentional in the drafting. We brought that to the attention to the staff, Mr. Chairman. It is our intention to maintain, not decrease the level of funding to the Land and Water Conservation Fund.

Perhaps, as this goes on there could be more that could be done. But it is not to decrease it in any way.

The CHAIRMAN. Very helpful to know.

Senator Heinrich.

Senator HEINRICH. I think this is a healthy discussion. There are a lot of, sort of, details we probably need to work through. I know under GOMESA there is a small portion of funding for LWCF that is mandatory. I think that is a direction we should be moving in.

If you look back at the $900 million that's deposited into that fund every year and effectively rated, in my view, to support the general fund. The un-appropriated balance, if my information is correct, which is a little different than what you cited, Ms. Haze, is actually $18.779 billion, almost $19 billion.

If you look then at the Reclamation Fund, which in theory I can understand how someone would think that that's another 40 percent going to interior States. But it's not being appropriated. There's $12 billion as of what we expect for FY'13 at the end of FY'13 of un-appropriated funds from the Reclamation Fund as well.

I would simply make the point that in addition to the State side portion of LWCF which is very critical. I can't tell you how many soccer fields and baseball diamonds and other things have been funded across the Nation with that effort. The Federal side is equally important.

In New Mexico where we have 68 thousand jobs tied to outdoor recreation. Where hunting and fishing and camping and all of those activities drive an enormous portion of our economy. That program has been critical to securing properties such as the Valles Caldera National Preserve.

In addition in the 2014 budget it calls for funding for the Price's Dairy edition to the new Valle del Oro National Wildlife Refuge in the Rio Grande Valley just south of Albuquerque as well as the Miranda Canyon addition to the Carson National Forest which protects a local drinking water resource and a critical watershed that feeds the Rio Grande as well, so.

Can you say a little bit about what the Administration's position is in terms of how much is needed to fund those kinds of Federal, non-State side projects in 2014?

Ms. HAZE. Our 2014 budget includes a proposal of $600 million in total for the Land and Water Conservation Fund with a balance of Federal acquisition to do some of the acquisitions you're talking about like Price's Dairy and continue those acquisitions of important inholdings for parks and refuges and as well some of the BLM areas. Also State grants to allow States to develop recreational opportunities.

I know Secretary Jewell and Secretary Salazar have both been up here to talk with all of you about the importance of America's Great Outdoors and investments to support the travel and tourism and the economic returns and jobs.

Also in the Land and Water Conservation Fund request is funding for the Forest Service for land acquisition and forest legacy.

Then we have also endangered species grants in that request.

Senator HEINRICH. Thank you, Ms. Haze.

I want to take a moment and just touch on something that my colleague from Colorado brought up as well. The bill before us today does include a formula to share revenues from renewable energy generated on Federal lands from renewables. What I might recommend is something that we can continue a conversation about is directing a portion of those onshore renewable energy revenues to conservation projects like wildlife habitat restoration and water resource protection.

I'm curious as to whether the Administration has a position on that kind of an approach to renewables.

Ms. HAZE. I can't answer that. I don't know. I can find that out for the record.

Senator HEINRICH. Can you get me that for the record?

Ms. HAZE. Sure, certainly will.

You were correct. I was trying to come up with Land and Water Conservation Fund balances off the top of my head which is never a good idea.

The un-appropriated balance right now is over $18 billion. You're right.

Thank you.

Senator HEINRICH. Thank you, Ms. Haze.

Mr. Chairman, I'll yield back.

The CHAIRMAN. Senator Barrasso.

Senator BARRASSO. Thank you, Mr. Chairman. Thank you for holding this hearing today.

As a Senator whose home State is impacted by energy production on Federal lands I know how important it is for States to have access to financial resources to address these impacts. It's one of the reasons that I support sharing offshore oil and gas revenue with coastal States.

I applaud Senators Murkowski and Landrieu for their leadership in this area.

I strongly disagree with the suggestion that public land States get more than they deserve. Public land States, such as New Mexico, Colorado, Utah, California, Montana and Wyoming produce an extraordinary amount of energy for this country. All of this energy is produced on lands within the States respective borders. The Federal Government owns large portions of the surface rights and the minerals in the West, hence the term public land States.

In Wyoming the Federal Government owns more than 40 percent of the surface acreage and 67 percent of the minerals. In other States of the West such as California and Utah, the Federal Government owns even more land. Federal ownership restricts the economic activity within and the tax base of public land States. Federal ownership not only restricts economic activity on Federal lands but also economic activity on private and State lands.

This is because Federal, State and private lands are often divided along a checkerboard pattern. So it's difficult to promote economic activity on State and private lands if, for example, a road or electric transmission line or pipeline needed to serve a State and private lands must also cross Federal land. Federal laws such as the National Environmental Policy Act delay these projects for years.

As a consequence businesses prefer to invest in States with little or no Federal land, States such as those along the Gulf Coast. I anticipate that we will hear a lot about fairness today. The hearing, after all, is on the FAIR Act.

As the process moves forward I see little value in efforts to pit one group of States against another. Such a strategy isn't productive and will not help advance the legislation. I also think it does a disservice to the challenges that individual public land States face on a daily basis.

Again, I support sharing offshore oil and gas revenue with coastal States. I'm confident that others will do the same if they consider the merits of this position.

Ms. Haze, I have a question.

I'd like to discuss revenue owed to States. Revenue owed to States under the Mineral Leasing Act. In March the Department of the Interior notified States that it would withhold over $109 million of this revenue during the remainder of fiscal year 2013.

The Department said that this is a decision was in accordance with the Budget Control Act of 2011, also known as the Sequester.

In May there were a bipartisan group of 10 Senators and 12 Representatives that joined in sending a letter to the Office of Management and Budget. Some of those Senators are members of this committee and have been asking you questions earlier today. In that letter we asked OMB to confirm that the Department would return mineral revenue withheld in fiscal year 2013 to the States. Do it in fiscal year 2014.

We explained that a provision within Federal budget law required the Department to return withheld mineral revenue to the States when sequestration took place in the mid 1980s, same situation. The same provision of the law applies to the sequester which took effect on March 1st. So to date, OMB has not responded to our letter. It's a bipartisan letter by members of both sides of the aisle on this committee.

So can you confirm that the Department will return mineral revenue withheld in fiscal year 2013 to the States in fiscal year 2014 as demanded by law?

Ms. HAZE. Senator Barrasso, I can confirm that we are working to have a final answer to that question. We are working closely with OMB, with our solicitors and with their general counsel. There are a number of mineral leasing revenue sources. What determines whether those funds are returned to the States or the counties in 2014 is the underlying statute.

So we've had to go back and look at the underlying statutes. Pretty much consistent with what we did back in the 1980s but to revalidate and make sure we're doing it correctly. We wanted to have an answer to the whole, if you will, menu of Mineral Leasing Act and not a partial answer.

So it's taken us longer than we had hoped. But I think we're very close to having an answer.

Senator BARRASSO. So when do you think you'll be able to confirm that the revenue will be returned?

Ms. HAZE. I think in the next several weeks we'll be able to have an answer. We'd had hoped to have one for the Secretary when she went to the Western Governors Association, but we weren't able to do it by then. So, soon.

Senator BARRASSO. Thank you, Ms. Haze.

Thank you, Mr. Chairman.

Ms. HAZE. Thank you.

The CHAIRMAN. The Senator from South Carolina.

Senator SCOTT. Thank you, Mr. Chairman.

I'd like to say thank you to Ranking Member Murkowski and Senator Landrieu for your hard work on this very important topic.

Without question I think the opportunity to provide financial incentives to the States to get involved in this project would be very important. I would say, however, that if you look at South Carolina, we are already ready to move forward. The fact of the matter is that offshore energy production would create jobs and economic opportunities in our State that we would look forward to. So we are already waiting.

As a matter of fact our Governor, Governor Hayley, along with the Governors of North Carolina and Virginia sent a letter to Secretary Jewell asking to be included in the next 5-year offshore plan. Unfortunately it seems like unless we do it legislatively, the Atlantic may never be included in the next 5-year plan.

When President Obama became President the entire Atlantic was available for energy production. But since he's been President almost 85 percent of America's offshore energy resources are under a moratorium, including the Atlantic.

While revenue sharing is important, we need access to new areas to lease for the promise of new revenues to be meaningful to those of us in the Atlantic OCS. I think Mr. Luthi's testimony later today will reinforce the necessity and the importance of new access in the Atlantic. If you look at over the next generation, we could see over 1.2 million jobs and over $1.3 trillion of new revenues through of offshore activities. So this is very important.

Current data for us is over 30 years old. The ability to collect new information with 21st century technology will give us a much better picture of the resource potential in the Atlantic.

Finally since the bill is called the FAIR Act and we do like the notion of being fair. I think it would only be appropriate and fair if the Atlantic States got the same 37.5 percent revenue sharing as Gulf States. However, under current proposals the 10-percent dedicated to alternative and renewable energy could be a challenge.

I think the States should be able to decide and determine the definition of alternative and renewable energy. Every State has different energy needs, challenges and resources. If we do the right thing, I think we'd find an amazing economy in the future, especially in the Atlantic OCS.

I think the opportunities are amazing. I would love for our committee to continue its hard work in the direction of including in the next plan, the next 5-year plan, the Atlantic OCS and providing the opportunity to seismic it so that we can create the same amazing economy that's potentially in our soil in Alaska and other places off our coast in South Carolina.

Thank you.

The CHAIRMAN. I thank the Senator.

I think Senator Landrieu has some additional questions.

Do you have some additional questions? Then I'll wrap up this panel.

Senator LANDRIEU. Just 3 more minutes, if I could.

First, I would like to introduce for the record the statement from John Barry in its entirety.

The CHAIRMAN. Without objection, so ordered.

Senator LANDRIEU. I'd also like to put into the record a letter of strong support from the America's Wetlands Foundation.

The CHAIRMAN. Without objection.

Senator LANDRIEU. Also a letter of strong support from the Greater Lafourche Port Commission.

The CHAIRMAN. Without objection.

Senator LANDRIEU. I will also submit to the record a summary of the history, Mr. Chairman, of the Land and Water Conservation Fund just to respond to several of my colleagues.

I want to thank Senator Scott for his encouraging comments about working with us. I took note of your suggestions. I think there's a path forward for certain.

But I wanted to underscore before the Senator left that to make sure he said this. I think you said you were ready to go forward with drilling off your coast with or without revenue sharing?

Senator SCOTT. No, Ma'am. That was not what I said.

Senator LANDRIEU. OK.

Senator SCOTT. I said I think the incentives that we already see for the potential revenues and the jobs that would be created are obviously there already. So the incentives, while very important, unless we have the opportunity to seimicing and do the exploration necessary for us to determine the potential. It doesn't do us any good to have a conversation about revenue sharing if, in fact, we're not going to have the opportunity.

Senator LANDRIEU. But the jobs are the incentive.

Senator SCOTT. Because of the jobs are a part of the incentive, but the salient point is that because of the moratorium it is impossible for us to have a conversation about revenue sharing in an area where the moratorium effects—eliminates the opportunity to share anything.

So the jobs and the economic opportunity and the engine that could be created offshore cannot be created because of the moratorium currently.

Senator LANDRIEU. OK.

Thank you so much.

I wanted to just to add to the record, Mr. Chairman, this information about the Land and Water Conservation Fund because it has been central to the discussion. I want to highlight the GOMESA Act that I was proud to be the lead sponsor with Senator Domenici, for my colleagues that support the Land and Water Conservation Fund, was the first time the Congress, with our leadership, directed mandatory funding for the Land and Water Conservation Fund. We consider that a great step forward.

It may not be as much or as broad as some members would like. But it was the first time. I'm very proud because I've been a long time supporter of the Land and Water Conservation Fund, both the State side and the Federal side.

But if we're talking about deficits just to get this record straight before we go to the next panel, there was an $18 billion deficit acknowledged by, I think, you Ms. Haze. Is that correct under the authorizations for the Land and Water Conservation?

Ms. HAZE. I said an $18 billion un——

Senator LANDRIEU. Unspent, yes. So you said it's a deficit.

Ms. HAZE. Un-appropriated.

Senator LANDRIEU. Un-appropriated balance.

Ms. HAZE. Un-appropriated balance, right.

Senator LANDRIEU. If coastal States had received 50 percent of the funding our outstanding balance right now is $105 billion. In other words, had we been receiving 50 percent, like interior States, we would have received, since the 1920s, not $18 billion, like the Land and Water Conservation Fund. We would have received $105 billion.

That's how short changed the coastal States are. That is why we are sitting here with the land loss and no revenues to present.

My last question to you is given the Administration's acknowledgement that this land loss exists. As I said I want to describe it to you. Then my last question will be this.

Do you acknowledge that this coastal area operates some of the main ports in the United States?

That 18 percent of all domestic shipping passed through Louisiana waters, 20 percent of all exports, 60 percent of all U.S. grain exports go down the Mississippi River, and 90 percent of all commercial fisheries depend in the Gulf on some part in their life cycle.

Do you acknowledge those facts to be true?

Ms. HAZE. I have no way to validate that they're true. I don't know.

Senator LANDRIEU. But they sound, I mean from what you've heard.

Ms. HAZE. You always know way more than I do when I come to hearings.

Senator LANDRIEU. Thank you.

Do you acknowledge that this land loss and I think it's 19 hundred square miles, 19 thousand. Do you acknowledge that it's roughly accurate?

Ms. HAZE. I don't have that knowledge either.

Senator LANDRIEU. What is the plan of the Federal Government to help support its restoration?

How much money are you willing to put on the table to do so if not through the FAIR Act?

Ms. HAZE. So I can't answer that. I'm not empowered by the government to answer that question.

I will tell you there are a variety of programs ongoing within the Department of the Interior that look at the wetland loss in Louisiana, restoration on private lands. There are the RESTORE funds. There are other funds that I know are going into the area for restoration.

I wouldn't even try to sit here and enumerate them all to you. You know them probably much better than I do.

Senator LANDRIEU. I would just for the record, Mr. Chairman, say that to my knowledge besides the RESTORE funding which came from a completely different accident, as you know, the only money I'm aware of is the $7 million in the Corps of Engineer budget. Seven million. Our master plan calls for $50 billion over 50 years.

If we could get a portion of this money we could begin to address some of the important land loss issues that are important to the country.

Thank you. I'll submit the rest of my questions for the record.

The CHAIRMAN. Without objection, so ordered.

Ms. Haze, thank you for your patience.

Senator Murkowski, additional questions?

Senator MURKOWSKI. Were you going to ask questions or?

The CHAIRMAN. I would be happy to wait for you. This is your bill.

Senator MURKOWSKI. I wasn't certain, Mr. Chairman, if you were ready to wrap up with Ms. Haze. I just wanted to make 3 very short points.

The CHAIRMAN. Very good.

Senator MURKOWSKI. I know we have a panel of 6 after this we're all anxious to get to.

But I do appreciate your comments, Senator Landrieu, on providing some of the history and the back up there about LWCF because it sounds, based on comments from some of our colleagues here today, that perhaps if we can work through this issue we might have something to gain some support on both sides here.

But I do think it's important for us to recognize that through this FAIR Act what we're doing here is we're providing a dedicated funding stream for LWCF. You think about it. It's like, so if we didn't have the production going on in the Gulf. If we didn't have the energy production domestically here, where would we be getting these funds for LWCF?

It's really pretty tough to find anything out there right now. We're looking under every rock. There's not a lot to be had.

So I think it's important for us to recognize that if we have these priorities whether it's New Mexico or Colorado and the focus on what the Land and Water Conservation Fund has done for us, what it's allowed us to build. Whether it is parks. Whether it's soccer fields or baseball fields. As important as all these are we've got to be able to have those funds. It is through our development and our production that we are able to allow for this.

So this FAIR Act does provide for that dedicated stream.

To my colleague from South Carolina, you mentioned that this is not an access bill. I wish it were. But it's not an access bill.

My hope is that it can be the path toward expanded access. I think that this is what some of our opponents fear is that we might, in fact, actually increase production on our Federal lands if we were to allow for a more fair way to share our revenues. So I think it is important to recognize that we would like to get to that point where we do have more funding to direct to some of these important conservation efforts.

I think it's important to recognize within this bill our effort to support clean energy and conservation projects. This is not just about let's keep drilling and drilling. This is about what we can then do with our revenues from our domestic energy and move that in a positive way. So we absolutely do dovetail with some of the Administration's priorities when it comes to energy and conservation goals.

Then the final point that I would make and I would ask for your comment on this, Ms. Haze, is in your written testimony you state that we miss an important opportunity to improve our energy security by establishing and funding the President's energy security trust. I have pointed out that the President's energy security trust is perhaps a little bit different from my concept where we actually do provide for access and open up more Federal lands so that we can fill up this energy security trust.

But at the same time you are opposing the FAIR Act on the grounds that it adds to the Federal deficit. I guess the question is how does the Administration then propose to fund the energy security trust?

Ms. HAZE. Good question.

The Energy Security Trust presumes that projected oil and gas revenues would increase over the next 10 years from an estimated $9.7 billion to $12.5 billion by fiscal year 2023. That's based on the existing program in place, the 5-year program, lease sales and future projections of revenues, royalties and bonuses.

Senator MURKOWSKI. If I understand the Administration's take on this we're going to continue at the clip that we have with our activity on Federal lands which, as we know, has been greatly reduced when you compare it to activity on our State lands. But if we were able to open up greater Federal lands for exploration and production, then we would have an ability to have new moneys coming in to our Treasury to put into an energy security trust, to put into LWCF so that we actually can be making a difference with some of these initiatives that, I think, folks consider a priority.

I told you I was going to only have a couple questions. I apologize.

The CHAIRMAN. No, Senator Landrieu wanted to wrap up.

Senator LANDRIEU. Just to finalize this point. The President has an idea of something he wants to fund but he neither, he has not, according to what you just said, provided an offset. He will be required, like we do, to provide an offset because those moneys that you just referred to, the increase, are already figured in the budget.

The only moneys that would not be figured in the budget are the moneys referred to by Senator Murkowski which would be any new areas to open because current areas are already calculated.

So he's going to have to find an offset. Good luck.

Ms. HAZE. So to respond quickly.

The President's budget is balanced in terms of identifying revenue sources that balance the planned spending as well. It is certainly up to Congress to decide whether to accept some of those revenue proposals which we've talked about in some earlier hearings.

Then to your point, Senator Murkowski. I would say we totally agree with you about development and goals for development. We recently had two sales. There's another sale coming in August. So we share your wanting to move forward.

Thank you very much.

The CHAIRMAN. Thank you, Ms. Haze.

Let me make a brief statement about where we are and then thank my colleagues, Senator Landrieu and Senator Murkowski, both of whom have obviously put an enormous amount of work into this matter which is so important to their States.

I mean, the more I listen to this discussion, the more struck I am that this would be a very different debate if we were starting with a clean slate. In other words, we just walked on in here. We had a clean slate. The 3 of us would say, look, we've got Federal land and Federal water and all of these communities are very much aware of the boom and bust cycle that comes about when you're trying to have sustainable development.

Make sure people have jobs. Make sure you have environmental protection.

But we're not starting with a clean slate. That therein lies the challenge. So I'm going to just keep hunting and pecking so I can at least figure out what the most relevant facts are.

I have a question for you, Ms. Haze, just on Federal budget math in this area so I can understand it all.

Is it correct that given how the budget process works the OCS receipts for the next 10 years, according to the budget, have "already been spent?" Then they're included in the budget baseline because I think that's the way it works. I'm not completely sure of this.

Ms. HAZE. Right.

The CHAIRMAN. If you ask me about Medicare spending, I can tell you all about that and tax reform and the like. But I'm not up on every bit of OCS budgeting yet. But is that essentially what's going on? Is that why you have to find "new revenue" in order to pay for something called revenue sharing?

Is that essentially the relevant math here?

Ms. HAZE. Yes, sir.

The baseline for scoring, that the Congressional Budget Office uses and the Office of Management and Budget uses presumes the current revenue projections out 10 years based on the current areas that are open for leasing. The only way you could gain, if you were, additional new money and scoring credit, would be if you lifted a moratorium on an existing area. If you passed a piece of legislation that created somehow a new opportunity. That is how it works.

If I could make one other comment on your previous statement?

The CHAIRMAN. You start with that.

Ms. HAZE. Yes, sir. Yes.

The CHAIRMAN. Then you go to this discussion that sometimes has folks coming out swinging on the number of leases and where they are and the like. But that's essentially how we start the taxpayer side and then we have to go to the economic side and the environmental side and the like.

Ms. HAZE. Right.

The CHAIRMAN. OK. Anything else you want to add? You've been——

Ms. HAZE. I wanted to just add my appreciation for your statement about, as it were, the patchwork of laws that are already out there. If you were starting with a clean slate it would be much easier. But you look back and we have 200 years of revenue sharing laws. It makes it very complex for all of you.

So, good luck and thank you.

The CHAIRMAN. Alright. We'll excuse you at this time. Thank you.

I'm struck by how everyone wishes us good luck in all this.

[Laughter.]

The CHAIRMAN. Alright. Our next panel.

The Honorable Charlotte Brower, Mayor, North Slope Borough, Barrow, Alaska.

Mr. Reggie Dupre, Executive Director, Terrebonne Levee and Conservation District, Houma, Louisiana.

Ms. Ryan Alexander, President, Taxpayers for Common Sense.

Mr. Randall Luthi, President of the National Ocean Industries Association.

Mr. Athan Manuel, Director of Lands Protection Program, Sierra Club.

Ms. Cathie France, Deputy Director for Energy Policy, Virginia Department of Mines, Minerals and Energy in Richmond.

Alright. We thank you all.

We're going to make your prepared statement a part of the hearing record in its entirety. So if you can take a few minutes and just talk to us. I know that there is practically a biological compulsion to just read every word on those pieces of paper.

We'll make your prepared statements a part of the record. If you could just talk to us for 5 minutes or so that would be great.

Mayor Brower, welcome

STATEMENT OF CHARLOTTE BROWER, MAYOR, NORTH SLOPE BOROUGH, BARROW, AK

Ms. BROWER. Chairman Wyden, Members of the Congress, my pleasure to meet you, Senator Landrieu and also our great, distinguished Senator from our great State of Alaska, Senator Murkowski.

For the record, my name is Charlotte E. Brower and I want to thank you for this opportunity to testify before this subcommittee on a very important subject. I am the Mayor of the North Slope Borough. I am an Inupiat Eskimo.

I've traveled over 4,000 miles to speak to you on this important issue. I feel this is so important for my people to state it on the record.

The North Slope Borough is a county level, home rule government for the Alaska's Arctic. It is also the largest municipality in the United States encompassing over 94 thousand square miles and more than 8 thousand miles of Arctic coastline. That's nearly the size of the great State of Oregon, where I went to high school.

The majority of the Borough residents are Inupiat Eskimos and we are heavily dependent upon marine mammal to sustain our physical health and our cultural and spiritual well being. But the importance of subsistence in our coastal communities and marine environment goes beyond the need for food. Our unique Inupiat culture, our traditions and our connections to our ancestors and history are also tied to our subsistence lifestyle to our custom of sharing with others and to celebrating and protecting our connection to the land and ocean.

We're always mindful and—of the critical need to protect the environment and preserve our culture and our resources. However, we also face this reality. We recognize that our ability to continue to provide even basic services to our communities depend largely upon our revenue stream generated by the development of oil and gas resources found under the land and ocean around us.

Without these oil and gas revenues the North Slope Borough would not be able to maintain the air strips, health care facilities, water and sewer, search and rescue or other essential services we provide in our villages.

What many people do not fully understand is that the infrastructure enjoyed today by other coastal States like paved roads is limited to non-existence in the North Slope. We don't have ports or harbors. Our communities are not linked by highways or railways or power lines.

One acute problem we face is the extreme high cost of building infrastructure and providing services.

To you, to give you an example a gallon of milk costs $10 today in Barrow. But for me, with 25 grandchildren, $10 a gallon is not good. That same gallon of milk costs even more in some of our villages for as high as $18 a gallon. Now imagine the cost to the Borough for new roads, upgrades or air strips, new health care facilities or modern utilities.

We also face the threats to the infrastructure we have in place today with the Arctic Ocean now ice free for longer period, every spring and fall seasonal storms are eroding the land around our villages in some cases over to 5 feet to 6 feet per year. Our homes are threatened by this erosion. Our roads, landfills and utility systems also are threatened.

Now put yourself in my position. I have to worry about the storm. I have to wonder which storm will flood the underground system of tunnels we have that allows us to have indoor plumbing.

Oil and gas revenues shared under the FAIR Act would have immediate effect of allowing governments like the North Slope Borough to complete projects that are critical to protecting our people and our infrastructures. It is also worth noting that oil and gas companies, scientists and Federal agencies, including the U.S. Coast Guard all use our local infrastructure. Without it, there would be no OCS development.

To adequately support this OCS activity moving forward, even greater infrastructure investments will also need to be made. Revenue sharing would enable the Borough to maintain and bolster our search and rescue capabilities, invest in oil spill preparedness, support port and harbor infrastructure development and to bring modern communication systems to North Slope villages.

While these investments would obviously benefit Federal, State, local and private stakeholders, they are investments that should be made by the local governments that are tasked with maintaining local infrastructure and services.

In summary, we live in the most undeveloped regions in our Nation. Investments must be made in the infrastructure necessary to ensure that OCS development can be conducted safely and responsibly. The burden of providing such infrastructure should not fall solely on the people that have the most to lose in the event of an oil spill.

S. 1273 represents a fair and equitable approach to allowing local governments to make the infrastructure investments necessary to support OCS activities and to maintain the health and welfare of their people and environment.

[Speaking Inupiat] For this important message to all 3 of you that are here. Thank you.

[The prepared statement of Ms. Brower follows:]

PREPARED STATEMENT OF CHARLOTTE BROWER, MAYOR, NORTH SLOPE BOROUGH, AK

Chairman Wyden, Senator Murkowski, and Members of the Committee:

I want to thank you for the opportunity to provide comments on behalf of the North Slope Borough regarding S. 1273, the "Fixing America's Inequities with Revenues Act of 2013", or "FAIR Act". I am particularly pleased that S. 1273 focuses on the fair and equitable distribution of a portion of revenues derived from energy development on Outer Continental Shelf (OCS) areas adjacent to coastal states. Congress should pass this legislation now, because this legislation helps to ensure that State and local governments will have resources they need to keep up with infrastructure requirements, expand emergency response and search and rescue capabilities, take an active role in oil spill preparedness, and work to maintain healthy communities and a healthy ecosystem.

The North Slope Borough is a home rule Arctic government—a coastal political subdivision of the State of Alaska and a county-level government. The North Slope Borough is the largest municipality in the United States, encompassing over 94,000 square miles, including more than 8000 miles of Arctic coastline. The Borough stretches from the U.S.-Canada border to the western border of Alaska, across the Beaufort and Chukchi Seas.

The majority of Borough residents are Iñupiat Eskimos. And we are heavily dependent upon marine mammals (such as bowhead and beluga whales, seals, and walrus) to sustain our physical health and our cultural and spiritual well-being. The importance of Subsistence in our coastal communities and marine environment goes beyond the need for food. Our unique Iñupiat culture, our traditions, and our links to our ancestors and history are also tied to our Subsistence lifestyle, to our custom of sharing with others, and to celebrating our connection to the land and ocean.

We are always mindful of the critical need to protect the environment and preserve our culture and our resources. However, we also recognize that our ability to continue to provide even basic services to our communities depends largely upon a revenue stream generated by the oil and gas industry, which today primarily operates on state land in our region. Without these revenues, the North Slope Borough would not be able to maintain the airstrips, healthcare facilities, water and sewer, search and rescue, or other services we provide in our villages.

S. 1273 SUPPORTS STATE AND LOCAL GOVERNMENT INVESTMENTS IN INFRASTRUCTURE

S. 1273 will enable State and local governments to maintain local infrastructure and invest in new infrastructure. What many people in the Lower 48 do not understand is that the infrastructure enjoyed today by other coastal states—like paved roads, deep draft ports, and modern communications—is limited or nonexistent on the North Slope. We have no deep water port. Our communities are not linked by highways or railways or electric lines or communication lines.

As the oil and gas industry looks for opportunities to develop offshore resources, I must be prepared—as the elected representative of my communities—to meet the challenges of offshore development. Senators Lisa Murkowski and Mark Begich and Congressman Don Young strongly support revenue sharing for Alaska and Alaska's coastal political subdivisions because they understand the need for revenue sharing and the enormous financial cost of supporting healthy communities in rural Alaska.

Most people do not understand the challenges Alaska's rural governments face. But everyone can understand the impact of higher costs to their own bottom line. As one example, a gallon of milk costs $10 today in Barrow—and Barrow is a regional hub community. That same gallon of milk might cost $18 or more in some of our villages. Other food items such as fresh fruits and vegetables are even more expensive relative to what you might pay in the Lower 48 or even other parts of Alaska. Why? Because the cost of transportation in our region is very high. And now imagine the cost to the North Slope Borough for new roads, upgrades to airstrips, new health care facilities, or new sewer or water or gas lines that must be built through permafrost.

We also face threats to the infrastructure we have in place today. With the Arctic Ocean now ice-free for a longer period every spring and fall, seasonal storms are eroding the land around some of our villages—in some cases over 5-6 feet per year. A single moderate storm last year cost the Borough more than a million dollars in response costs. In just the last ten years, the coastline near the City of Barrow has receded toward an old landfill that holds tens of thousands of barrels of Navy and Air Force waste. Ten years ago, the ocean was 200 feet away from the landfill—now it is 120 feet away.

Coastal erosion also threatens the City of Barrow's "utilidor" system, which is an underground system of tunnels designed to protect the city's utilities from the cold. This system provides indoor plumbing to our residents and eliminates the need for outhouses and water delivery by truck. And like most other things in the Arctic, it is very expensive. A moderate storm almost breached the utilidor last fall with its severe surge. In response, the Borough has committed money to an erosion mitigation project in Barrow. The State of Alaska has also committed money to the project. But it is a very big project, and OCS revenues could be a critical component in helping us work to protect Barrow and other North Slope communities that are similarly impacted.

The cost to keep our communities safe is often exorbitant, and with limited federal funds available for local coastal mitigation projects, we seek a fair share of OCS revenues, derived from our backyard, to ensure that we can continue to keep our communities safe.

I would also note that the oil and gas industry, researchers, and federal agencies, including the U.S. Coast Guard, all use our local infrastructure—our airports and roads and hospitals. We welcome people to our community, and we were grateful for the Coast Guard's presence in Barrow during the 2012 drilling season, but we ask that Congress recognize the cost to our community of maintaining and expanding critical infrastructure as industry develops offshore resources.

S. 1273 SUPPORTS STATE AND LOCAL GOVERNMENT INVESTMENTS IN RESEARCH AND THE SOUND MANAGEMENT OF COASTAL AND OCEAN ECOSYSTEMS

S. 1273 will enable State and local governments to support the research and baseline data collection programs that will ensure local resources are protected. This is especially true in Alaska where we deal with extremes in climate and the unique needs of rural Alaska Native communities.

OCS revenues would support the Borough's Department of Wildlife Management, which engages in a range of land and ocean management work, and conducts much of the critical scientific research that we need—and that you need—to ensure offshore oil and gas development proceeds safely.

There is a great deal of research needed to understand how best to mitigate the impact of oil and gas development on the Arctic environment, and the North Slope Borough can and should be a part of that effort.

OCS revenues also would support the Borough's sound management of coastal and ocean ecosystems in an area larger than Wyoming. In previous times, when the Borough received a share of OCS revenues under the Coastal Impact Assistance Program enacted as part of the Energy Policy Act of 2005, the Borough invested in projects that supported, among other things, the restoration and rehabilitation of coastal areas and assessments of sensitive lands, waters, bowhead whales and other marine mammals, and the development of mitigation measures to reduce impacts. Revenues derived from S.1273 will be critical in allowing the Borough to undertake similar projects moving forward.

S. 1273 SUPPORTS STATE AND LOCAL GOVERNMENT INVESTMENTS IN OIL SPILL RESPONSE AND EMERGENCY PREPAREDNESS

Finally, S. 1273 supports the role of State and local governments in emergency preparedness associated with offshore energy development, including oil spill response preparedness. These funds would enable the Borough to purchase helicopters and other types of aircraft that have the capabilities to conduct search and rescue operations and transport people and equipment to remote areas should the need arise. Funds would also allow for the development of port and harbor infrastructure that can service oil spill response vessels, provide staging areas for oil spill response equipment, and improve the logistical capabilities of industry and government. Lastly, OCS revenues would support bringing broadband communications to the North Slope and developing communication centers that will be important for supporting industry and governmental activities and responding to emergency events.

In summary, the people of the North Slope live in one of the most undeveloped regions in our nation. Investments must be made in the infrastructure necessary to ensure that OCS development can be conducted safely and responsibly. And the burden of providing such infrastructure should not fall solely on the people that have the most to lose in case of an oil spill. S. 1273 represents a fair and equitable solution in enabling local governments to make the infrastructure investments necessary to support OCS activity and to maintain the health and welfare of the North Slope's people and environment.

The CHAIRMAN. Thank you very much. Very eloquent.

Mr. Dupre.

STATEMENT OF REGGIE DUPRE, EXECUTIVE DIRECTOR, TERREBONNE LEVEE AND CONSERVATION DISTRICT

Mr. DUPRE. Mr. Chairman, members of the committee, my name is Reggie Dupre. I am currently the Executive Director of the Terrebonne Levee and Conservation District in Houma, Louisiana.

I'd like to thank Senator Landrieu for allowing me to speak here today and for her tireless efforts for the citizens of Louisiana. It is indeed an honor and a privilege for me to be here.

Prior to becoming the Executive Director of the Terrebonne Levee District I served as a State Senator representing the coastal areas of Terrebonne and Lafourche parishes. These two parishes have experienced coastal erosion rates higher than anywhere else in the United States.

In late 2005 I was the lead author of a constitutional amendment that dedicated 100 percent of all future offshore oil and gas revenues to the task of restoring and protecting Louisiana's coast. This constitutional amendment received a unanimous vote of the Louisiana legislature and was approved in 2006 by 82 percent of the voters in a State wide election. The State of Louisiana is currently operating on a master plan for the coast which includes $50 billion of projects designed to stabilize our coast and protect wetlands. This massive undertaking will not be possible without utilizing the recurring source of offshore oil and gas revenue sharing.

In 2009 I decided to leave the State Senate to become the Executive Director of the Terrebonne Levee District. My community had been the subject of a Federal hurricane protection study since 1992 through a project called Morganza to the Gulf. Although the project was authorized for construction by Congress in the 2007 Water bill, it was quickly placed in the re-evaluation mode by the Congress in light of lessons learned from Hurricane Katrina.

This was a very disturbing event since the citizens of Terrebonne Parish had been counting on the protection to be provided by the project and have even taxed themselves in 2001 to pay their non-Federal cost share.

In 2008 the leaders of Terrebonne Parish decided to start the Morganza project using only local and State funding. To date my district has completed $225 million of construction on the first phases of Morganza and the citizens of Terrebonne voted to tax themselves a second time in December 2012 to continue this effort.

This local effort, while substantial, will not be enough to accomplish the task. Offshore revenues, which all infrastructure as an eligible use, are the only source constant and large enough to continue work on the Morganza project and others like it.

Finally I want to share with you my experiences growing up in Pointe-aux-Chenes, Louisiana, a small coastal community on the Terrebonne/Lafourche boundary line. This is a small fishing community made up of Native Americans and French descendants which is literally at the epicenter of coastal erosion and land loss. The deterioration and slow destruction of this community has been my driving force in public service and professional life.

I have witnessed in my lifetime a thriving community and culture reduced to a small community currently on life support. These coastal efforts are the only hopes for this area and many others around the State of Louisiana. It is important to note that the efforts and sacrifices of the people of coastal Louisiana have paved the way for the economic expansion of this country.

The Delta region of Louisiana has been sacrificed to accommodate the building of the Mississippi River levees in the early 20th century. The rates of subsidence and coastal erosion were exponentially advanced and the problems that we are facing today are a result. Navigation and commerce throughout the country has been saved.

The heartland has been spared flooding of the mighty river. The positive economic impact of this work to the country is immeasurable. But my region is gasping for survival as a result.

Today the people of Louisiana's gift to the country is affordable, domestic energy through the in-service of the oil and gas industry. My region is a leader of this service especially that of deep water oil and gas production. Our ability to work on the coast is threatened by our problems, but our dedication and resilience answers the call each time.

I want to leave you today with a quote from an article written in 1897 in National Geographic magazine by a well known engineer at the time. His name was E. L. Corthell. His article was in response to the debate that was occurring in the late 1800s on what secondary effects the leveeing of the Mississippi River would have on the Delta areas of Louisiana.

Mr. Corthell wrote, "While it would be generally conceded that the present generation should not be selfish. Yet it is safe to say that the development of the Delta country during the 20th century by a fully protective levee system, at whatever cost the riparian states and the Federal Government, will be so remarkable that the people of the whole United States can well afford, when the time comes to build a protective levee against the Gulf waters." Written 116 years ago.

You see action taken by the Federal Government in the early 1900s is destroying my homeland before my eyes. The question before you, is it fair for Congress to pass the FAIR Act? The answer is absolutely.

I thank you once again for the opportunity to speak before you. I'll be happy to answer any questions.

[The prepared statement of Mr. Dupre follows:]

PREPARED STATEMENT OF REGGIE DUPRE, EXECUTIVE DIRECTOR, TERREBONNE LEVEE & CONSERVATION DISTRICT

Mr. Chairman and Members of the Committee, my name is Reggie Dupre. I am currently the Executive Director of the Terrebonne Levee & Conservation District in Houma, Louisiana.I would like to thank Senator Landrieu for allowing me to speak before you and for her tireless efforts for the citizens of Louisiana. It is indeed an honor and a privilege to be here. Today I will speak with you about my experiences in guiding legislation on the state level for dedication of offshore revenues, my current role of implementing large scale protection and restoration projects, and finally my experience growing up in a coastal community which is literally washing away every day from the Gulf of Mexico's intrusion on the coastal parishes of Louisiana.

Prior to becoming the Executive Director of the Terrebonne Levee and Conservation District, I served as a Louisiana State Senator and was Chairman of the Louisiana Senate Natural Resources Committee. My district covered all of the coastal areas of Terrebonne and Lafourche Parishes. These two parishes have experienced coastal erosion rates higher than anywhere in the United States. In late 2005, I was the lead author of the Constitutional Amendment that dedicated 100% of all future offshore oil & gas revenues to the task of restoring and protecting Louisiana's coast. This Constitutional Amendment received a unanimous vote of the Louisiana Legislature and was approved in 2006 by 82% of the voters in a statewide election. The state of Louisiana is currently operating on a master plan for the coast which includes $50 billion in projects designed to stabilize our coast and protect wetlands. This massive undertaking will not be possible without utilizing the the recurring source of offshore oil and gas revenue sharing.I believe the constitutional dedication of our federal revenue sharing helped pave the way for Congress to pass GOMESA in late 2006.

In 2009, I decided to leave the State Senate to become the Executive Director of the Terrebonne Levee District. My community had been the subject of a federal study since 1992 to protect the citizens of Terrebonne and Lafourche Parishes through a project called Morganza to the Gulf. Although the project was authorized for construction by congress in the 2007 WRDA, it was quickly placed into re?evaluation mode by the Corps for further study and re?engineering in light of lessons learned from Hurricane Katrina. This was a very disturbing event since the citizens of Terrebonne Parish have been counting on the protection to be provided by the project and had even taxed themselves in 2001 to pay their non?federal cost share. In 2008, the leaders of Terrebonne Parish decided to start the Morganza Project using only local and state funding and, to date, my district has completed $225 million of construction on the first phases of Morganza and the citizens of Terrebonne again voted to tax themselves in December, 2012 to continue this effort. This local effort, while substantial, will not be enough to accomplish this task. Offshore revenues, which all infrastructure as an eligible use, are the only source constant and large enough to continue work on the Morganza project—and others like it.

Finally I want to share with you my experiences growing up in Pointe?aux?Chenes, Louisiana; a small coastal community on the Terrebonne and Lafourche parish boundary line. This is a small fishing community made up of Native Americans and French Descendants which is literally at the epicenter of coastal erosion and land loss. The deterioration and slow destruction of this community has been my driving force in public service and professional life. I have witnessed in my lifetime a thriving community and culture reduced to small community currently on life support. These coastal efforts are the only hopes for this area and many others around the state of Louisiana.

It is important to note that the efforts and sacrifices of the people of coastal Louisiana have paved the way for the economic expansion of this country. The delta region of Louisiana has been sacrificed to accommodate the building of Mississippi River levees in the early 20th century. The rates of subsidence and coastal erosion were exponentially advanced and the problems that we are facing today are the result. Navigation and commerce throughout the country has been saved, the heartland has been spared flooding of the mighty river, and the positive economic impact of this work to the country is immeasurable. But my region is gasping for survival as a result.

Today, the people of Louisiana's gift to the country is affordable domestic energy through its service of the oil and gas industry. My region is a leader in this service especially that of deep?water oil and gas production. Our ability to work on this coast is threatened by our problems but our dedication and resilience answers the call each time.

I want to leave you today with a quote from an article written in 1897 in National Geographic Magazine by a well know engineer of that time. His name was E. L. Corthell and his article was in response to a debate that was occurring in the late 19th century on what secondary effects the leveeing of the Mississippi River would have on the delta areas of Louisiana. Mr. Corthell wrote, "While it would be generally conceded that the present generation should not be selfish, yet it is safe to say that the development of the delta country during the twentieth century by a fully protective levee system, at whatever cost to the riparian states and the Federal Government, will be so remarkable that people of the whole United States can well afford, when the time comes, to build a protective levee against the Gulf waters. . ."

You see, actions taken of the Federal Government in the early 20th century is destroying my homeland before my very eyes. The question before you is, "Is it fair for Congress to pass the FAIR Act." The obvious answer is ABSOLUTELTY! Passing legislation that rectifies the inequitable treatment between on and offshore states with respect to revenues generated by federal oil and gas activities is not only fair, but will allow the State of Louisiana the ablity to restore and protect our vanishing coast.

I thank you once again for the opportunity to speak today. I will be happy to answer any questions.

The CHAIRMAN. Thank you, Mr. Dupre.

Let's go now to Ms. Alexander.

STATEMENT OF RYAN ALEXANDER, PRESIDENT, TAXPAYERS FOR COMMON SENSE

Ms. ALEXANDER. Good afternoon. Thank you 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. As such I'm going to limit my comments to the fiscal implications of S. 1273.

Increasing the State revenue shares for energy development in Federal waters, as S. 1273 proposes, would siphon revenue from the Federal coffers for decades to come. The preliminary Congressional Budget Office score for the bill indicates that S. 1273 would increase direct spending by $6 billion between 2015 and 2023, not including likely implementation costs. Furthermore CBO estimated an additional increase in deficits of $5 billion over 2023.

I'm happy to hear you guys are working on offsets. But in its current form it doesn't have any and violates paygo. At a time when we should be discussing how to bring in more revenue to the Federal Treasury, not less, this policy is short sighted.

Natural resources from Federal lands and waters can and do provide a great benefit to the entire Nation. Taxpayers for Common Sense does not oppose offshore drilling in Federal waters. We believe with proper taxpayer safeguards and the application of fair market royalties that Federal resources can and must be used to meet our Nation's energy, transportation and mineral needs. But additional Federal resources derived from new drilling must go to Federal taxpayers.

TCS does oppose any legislative measure that would allow States to receive a greater percentage of oil and gas revenues than is allowed under the traditional divisions of the Federal and State waters. We oppose any measures to direct any additional percentage of royalties collected on new leases in Federal waters to the States. Our concern with S. 1273 is the diversion of royalties from federally owned oil and gas resources at a cost to the Treasury of approximately $6 billion over 9 years.

The Gulf of Mexico and Energy Security Act already directs a portion of revenue derived from new leases in Federal waters in the Gulf of Mexico to the States rather than to the Federal taxpayers. Since 2006, this law has cost taxpayers more than a billion dollars. In its current form will cost billions more in years ahead.

Providing an increased share to the States for development in Federal waters does nothing to change the economics of energy development. Oil and gas, wind or other offshore developers would owe the same royalties, rents and fees at the end of the day either to the States or the Federal Government. Thus it reduces Federal revenues without adding any incentive toward energy development.

Federal taxpayers are due the royalties derived from leases operating in Federal waters because those waters are administered, protected and managed by Federal, not State agencies at a cost to Federal taxpayers. Federal taxpayers fund the agencies charged with royalty collection and lease regulations. Additionally the U.S. Coast Guard, not the States inspects and regulates the offshore drilling rigs. It also performs vessel regulation, search and rescue, security and pollution response.

Unlike onshore energy operations offshore energy operations do not occur in any State. The impact of operations beyond State waters reaches well beyond any one State and has natural implications. States do get the money from waters directed dedicated to the States under Federal law and we believe this should continue in any new drilling in State waters.

In addition States get economic development benefits from energy operations in Federal waters near their coasts. But all Americans should get the revenue from royalties, rents and bonus bids in Federal waters. The revenue sharing changes made in GOMESA in 2006 authorized up to $500 million in annual Federal revenue losses starting in 2016 for activity in the Federal waters in the Gulf of Mexico.

S. 1273 would extend similar revenue sharing provisions to new leases in Federal waters near other coastal States resulting in an additional multi-billion dollar loss to the taxpayers.

Perhaps most importantly, S. 1273 would also increase and ultimately remove the $500 million cap on State revenue shares in GOMESA starting in 2015 significantly increasing Federal losses.

TCS also has concerns with S. 1273 directing 50 percent of the revenue derived from onshore renewable energy production to the affected State because it does not address the fundamental problems with the current system governing renewable energy production on Federal lands.

TCS supports moving to a competitive leasing process for renewable energy production and the application of fair market value royalty for all energy produced from those leases.

Without addressing the inappropriate use of right of way authorizations, S. 1273 falls short for taxpayers.

The country is now facing a nearly $17 trillion debt and across the board budget cuts. 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 from resources they own. The last thing Congress should be doing is giving away Federal resources.

You know, I'm mindful to what I hear about the needs in the States that have offshore energy development. But the Federal Government also has incredible needs right now. We have a huge debt, significant deficits and there are many, many, many unmet needs for the Federal Government and Federal taxpayers.

Thank you.

[The prepared statement of Ms. Alexander follows:]

PREPARED STATEMENT OF RYAN ALEXANDER, PRESIDENT, TAXPAYERS FOR COMMON SENSE

Good afternoon Chairman Wyden, Ranking Member Murkowski, and distinguished members of the Committee. Thank you for the opportunity to testify today on the FAIR Act, S. 1273. My name is Ryan Alexander, and I am President of Taxpayers for Common Sense (TCS), a national, non-partisan budget watchdog organization.

The mission of Taxpayers for Common Sense is to achieve a government that spends taxpayer dollars responsibly and operates within its means. Over the last 17 years, TCS has worked actively 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 significant source of income for the federal government and must be collected, managed and accounted for in a fair and accurate manner. As the rightful owners, taxpayers are entitled to fair market compensation for the resources extracted from our lands and waters, just like any private landowner.

Unfortunately, over the years taxpayers have lost billions of dollars on royalty-free oil and gas leases and royalty-free hard rock mineral operations on federal lands. Outdated laws and an inadequate and sometimes corrupt royalty collection system have also cost us billions. In today's budget climate of across-the-board budget cuts, we cannot afford to lose this valuable revenue. These problems must be resolved as we move forward with additional mining and energy production on federal lands and waters.

Today's hearing to examine legislation regarding energy revenues in federal waters certainly raises important issues. But increasing the state revenue shares for energy development, as the "FAIR Act" proposes, would siphon valuable revenue from the federal coffers for decades to come. As currently drafted, the bill has no offset and we expect its score against the federal budget will show significant cost to the taxpayer. At a time when we should be discussing how to bring in more revenue—not less—to the federal Treasury, this policy would not only be costly, but also dangerously short-sighted.

ENERGY LEGISLATION MUST ENSURE FAIR AND ACCURATE COLLECTION OF REVENUES FOR EXTRACTION OF OUR FEDERALLY-OWNED RESOURCES

Natural resources derived from federal lands and waters can and do provide great benefit to the entire nation. In addition to their end use and overall domestic economic benefit, their extraction provides valuable revenue to federal coffers, with the potential to provide much more.

To this end, federal lands and waters must be mined, drilled or otherwise developed in a manner that protects taxpayers' interests, first and foremost. Appropriate fees, rents and royalties must be collected and long-term liabilities such as potential clean-up or mitigation costs must be shouldered by the extractive industries, not by taxpayers.

While federally owned natural resources currently provide around $10 billion annually to the Treasury, this amount falls dramatically short of what is rightfully owed to the federal Treasury. For example, taxpayers are currently losing billions of dollars on royalty-free oil and gas leases in the Gulf of Mexico, as well as royalty-free operations for hard rock mineral extraction on federal lands. We must fix these problems so that we can recoup what we are owed.

TCS is not opposed to offshore drilling in federal waters. But additional federal resources derived from new drilling must go to federal taxpayers, the rightful owners of those resources. We believe with proper taxpayer safeguards and the application of fair market royalties, federal resources can and must be used to meet our nation's energy, transportation, and mineral needs. Determining whether it is in the national interest to drill should include an evaluation of offshore resources and potential income, and also potential long-term liabilities.

Taxpayers for Common Sense is opposed to any legislative measure that would allow states to receive a greater percentage of oil and gas revenues than is allowed under existing federal-state revenue- sharing provisions for royalty payments. We oppose any measure to direct any additional percentage of royalties collected on new leases in federal waters to the states. Further, we would like to see the revenue-sharing provisions of GOMESA repealed and the original federal/state shares reinstated. Revenues from traditionally defined federal waters must be directed to the federal Treasury.

CURRENT FEDERAL ROYALTY REVENUE ALREADY FALLS SHORT

TCS believes there are many areas where reform is needed to ensure fair and accurate royalty collection. Many of these changes will help both the federal government and the states acquire more revenue from federal energy leases.

To begin, the federal government must have a clear, transparent collection system that has sufficient oversight and accountability. The many scandals that plagued the Minerals Management Service (MMS), the agency that for nearly three decades ran the government's royalty collection system, demonstrated how corrupted the system can become.

For years the Government Accountability Office (GAO) has found that the Department of Interior has not done enough to monitor and evaluate its royalty collections. GAO has included royalty collection in its last two reports on high-risk federal programs and activities. A report in 2008 found that the DOI had not reviewed how it was compensated for extracted oil and gas from public lands for more than 25 years and had no system in place to even determine whether or not such a reassessment was needed. A 2010 study found that DOI had no way to determine if it was accurately measuring the amount of resources taken from public lands, making it unlikely the federal government is being fairly compensated. On top of these collection issues, the U.S. has some of the lowest underlying royalty rates in the world.

Second, no lease should be able to operate royalty-free. Leases issued under the Deepwater Royalty Relief Act of 1996 are currently required to pay no royalty. Congress should not give away publicly owned assets. Taxpayers are losing billions on these leases and will lose far more when many of these idle tracts begin production. Several options have been proposed in the House and Senate to address this issue, but none have been enacted into law.

Finally, other reforms to existing onshore oil and gas operations could also provide more valuable revenue for taxpayers. In 2010, GAO found that taxpayers would receive $23 million more in royalty revenue annually from additional natural gas obtained from federal lands, if companies were required to capture vented or flared natural gas in cases where it is economically feasible.

Although some progress has been made to fix the system since the dismantling of MMS in 2010, the Department of Interior's new royalty management structure is still a work-in-progress. Since royalty collection has remained on the GAO's high-risk list, despite the new system at DOI under the Office of Natural Resources Revenue, it is clear the agency still has work to do in this area.

STATE REVENUE-SHARING CHANGES PROPOSED IN FAIR ACT

At the same time that federal taxpayers are already losing valuable royalty revenue, the FAIR Act proposes siphoning more money from our federally owned oil and gas resources.

The Gulf of Mexico Energy Security Act (GOMESA) already directs a portion of revenue derived from new leases in federal waters in the Gulf of Mexico to the states rather than to federal taxpayers. Since 2006, this law has cost taxpayers more than a billion dollars and in its current form will cost billions more in the years ahead.

Revenue-sharing provisions, like those proposed in S. 1273, siphon billions of dollars in valuable revenue from the general Treasury. Not only is this bad policy, in today's fiscal climate it is downright foolish. Providing an increased share to the states for development on federal land would do nothing to encourage energy development, as it doesn't affect 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. Thus, it reduces federal revenues without adding any incentive toward energy development.

Federal taxpayers are due the royalties derived from leases operating in federal waters because those waters are administered, protected, and managed by federal—not state—agencies at a cost to federal taxpayers. Federal taxpayers fund the agencies charged with royalty collection and lease regulations. Additionally, the U.S. Coast Guard, not the states, inspects and regulates the offshore drilling rigs; it also performs vessel regulation, search and rescue, security, and pollution response. Unlike onshore energy operations, offshore energy operations do not occur in any state. The impact of operations beyond state waters reaches well beyond any one state and has national implications.

States do get the money from waters dedicated to the states under federal law and we believe this should continue in any new drilling in state waters. In addition, states get economic development benefits from energy operations in federal waters near their coasts. But all Americans should get the revenue from royalties, rents and bonus bids in 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 changes made in the 2006 GOMESA legislation, which gave the Gulf states a larger share of federal revenues, demonstrate how large the revenue losses can be to federal taxpayers. Under GOMESA, Gulf states receive 37.5% of the royalty income from certain newly opened areas in federal waters of the Gulf. Beginning in 2016 they will receive 37.5% of royalties from new leases throughout the Gulf's federal waters, and up to $500 million annually. The new revenue-sharing provisions of S. 1273 would extend these revenue-sharing provisions to new leases to other coastal states, resulting in an additional multi-billion dollar loss to the taxpayers. S. 1273 would also increase and ultimately remove the $500 million cap on state revenue, included in the original GOMESA bill, starting in 2015. This would dramatically increase federal losses.

ONSHORE REVENUE CHANGES

The FAIR Act also includes a provision directing 50 percent of the revenue derived from onshore renewable energy production to the affected state. TCS also has concerns regarding a redirection of these funds at this time. While onshore resource extraction does share 50 percent of the royalty revenues with the states, the minerals are permanently removed from the land, and from the state, and we believe a shared allocation of revenues is appropriate in that case.

States do not receive revenue from federal lands rights-of-way, which is how renewable energy production is currently administered on federal lands. This is because the right-of-way authorizations are for temporary uses of the land. Therefore they should not be treated the same as mineral leases, which alter the land in a much different manner through the extraction of coal, oil, and gas and even (royalty-free) hardrock minerals. While there can still be a financial impact to the state for development of renewables on federal land, a simple redirection of 50 percent of the revenues to the states does not make sense.

TCS does support moving to a competitive leasing process for renewable energy production on federal lands and the application of a fair market value royalty for all energy produced from those leases. Without addressing the underlying problem of the inappropriate use of right-of-way authorizations for renewable energy production on federal lands, this proposal falls dramatically short for federal taxpayers.

CONCLUSION

The country is now facing a $17 trillion debt and across the board budget cuts. 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 last thing Congress should be doing is giving away federal resources.

Federal lands and waters must be used responsibly and taxpayers must receive appropriate financial assurances from those companies benefiting from resource extraction. Without proper assurances, any future financial liabilities will fall on the shoulders of taxpayers.

There is little that is "fair" for federal taxpayers in the current bill. Siphoning billions of dollars in valuable federal royalties away from the federal Treasury is fiscally irresponsible and will simply compound our budget problems.

The CHAIRMAN. Thank you very much, Ms. Alexander.

Mr. Luthi.

STATEMENT OF RANDALL LUTHI, PRESIDENT, NATIONAL OCEAN INDUSTRIES ASSOCIATION

Mr. LUTHI. Thank you, Chairman Wyden, Ranking Member Murkowski and thank you for the opportunity to be here this afternoon.

First of all I applaud the efforts of Senators Murkowski and Landrieu to draft this important and timely bill. I think it's a great first step. I urge the members of the committee to take the next step in enhancing America's energy security, energy reliability and American jobs.

The extension of revenue sharing to all coastal States coupled with increased access to our outer continental shelf is not only reasonable and sound energy policy. But will generate economic growth and enhance our national security.

NOIA is a trade association representing all segments of the offshore energy industry. Our approximately 290 members develop traditional oil and natural gas and non traditional sources such as wind. These dedicated men and women work every day to provide a reliable, reasonably priced, energy source to fuel our homes, schools, businesses, vehicles and our economy.

It is my honor to represent them. I'm often in awe of the technology that is used to bring this energy to our homes. My testimony today will concentrate on the offshore portions of the bill.

We have long advocated a fair and equitable revenue sharing formula allowing coastal States to share in the future revenue generated off their coasts makes good common sense. Pardon the pun, also makes good dollars and cents. Actually a sharing of the revenue would create potentially billions of dollars for State and Federal treasuries. But it's only by providing additional oil and natural gas lease sales can this theoretical revenue sharing become a reality. These two policies are an inextricably linked, revenue sharing and access.

The bill recognizes that there are infrastructure demands placed on coastal and communities that support offshore energy development.

One prime example is Senator Landrieu's home State of Louisiana where LA–1, the two lane highway that runs through the southern part of Lafourche Parish is the only road providing access to Port Fourchon.

Likewise in Alaska, another State abundant in energy and natural resources, families and communities understand that energy and development and nature can and do exist. Many committee members recognize this important relationship within their States.

We have the opportunity to address our economic challenges, deficit problems and national security. We have effectively banned exploration in over 85 percent of the OCS. Other countries are moving in the opposite direction. Norway, Ghana, Iceland and even Cuba have opened up new offshore areas.

To my knowledge we are the only country developing its offshore energy that has banned access to a majority of its resources. In today's global economy companies invest capital where they are allowed to work. This could potentially mean the loss of jobs in energy for the United States.

In 2011 Quest Offshore Resources conducted a study of economic jobs and benefits created by the offshore oil and natural gas industry in the Gulf of Mexico. More than 24 hundred companies from at least 47 States provided equipment, employees and/or services to that offshore industry. These States include Oregon, Alaska, Louisiana, Colorado, Idaho, Ohio and Wyoming. Yes, I picked those States randomly from the study.

[Laughter.]

The CHAIRMAN. We knew that was a coincidence.

Mr. LUTHI. Yes.

If the entire OCS were opened it's estimated that the offshore industry would sustain about 1.2 million jobs over the next 30 years and generate an additional 1.3 trillion in new revenues. Congressional delegations from South Carolina and Virginia have actually introduced legislation that would open up areas off their shore. We urge the committee members to look at this seriously.

Right now there are no revenues coming from 85 percent of the OCS. The Federal Government is receiving 100 percent of nothing. So under the formula of this bill, assuming there are new lease sales, the Federal Government would receive 62 and a half percent of something.

I say only in Washington, DC, hence CBO, OMB, do we think that receiving 100 percent of nothing is better than 62 and a half percent of something. I'm not an economist. I didn't stay at a Holiday Inn Express last night.

[Laughter.]

Mr. LUTHI. But I do believe revenue, some revenue, is preferable to no revenue.

Our OCS has the potential also from wind, wave, ocean and current and tides. All energy sources should be a part of the above the all energy approach. We expect great strides from non-traditional sources of energy.

But frankly, EIA predicts in 2024 that coal, oil, natural gas and nuclear will still supply about 80 percent, over 80 percent of our needs. We need to treat all energy sources fairly and provide for what is appropriate in the OCS. Identifying those areas is important because frankly, we do not know. Previous OCS moratoria prevented industry from conducting any geological and geophysical activities. The result is that we are basing resource estimates upon 30-year-old data.

In conclusion, we stand on the brink of a new frontier for the United States. Our offshore resources can and should and be a strategically and prominent part of our Nation's energy future.

At the time I look forward to attempting to answer some of your questions.

[The prepared statement of Mr. Luthi follows:]

PREPARED STATEMENT OF RANDALL LUTHI, PRESIDENT NATIONAL OCEAN INDUSTRIES ASSOCIATION

Chairman Wyden, Ranking Member Murkowski: Thank you for your invitation to testify before the committee today. I applaud the efforts of Senators Murkowski and Landrieu to draft this important and timely bill and greatly appreciate Chairman Wyden for scheduling this hearing.

Members of the Committee, thank you for your interest in this bill, and I urge you to take the next step in enhancing America's energy security, energy reliability and creating more American jobs. The extension of revenue sharing to all coastal states, coupled with increased access to more of our Outer Continental Shelf (OCS), is not only reasonable and sound energy policy, but also a key to creating economic growth and improving our national security.

First a word about NOIA: NOIA is a trade association representing all segments of the offshore energy industry. Our approximately 290 member companies are involved in the exploration and development of all offshore energy resources: both the traditional oil and natural gas and the non-traditional including wind. Our mission is to secure reliable access and a fair regulatory and economic environment, so our nation's valuable offshore energy resources are developed in a safe, efficient, and environmentally responsible manner. Our members are a part of the workforce involved in energy exploration and development, engineering, marine and air transport, vessel construction, manufacturing, financing and telecommunications, to name just a few. These dedicated women and men work every day to see that our nation has a reliable, reasonably priced energy source to fuel our homes, schools, businesses, vehicles and economy.

It is my honor to represent them, and I am often in awe of the technology used to bring this energy into our daily lives.

Since NOIA represents the offshore industry, my testimony today concentrates on the offshore portions of the bill, namely the expansion of revenue sharing to all coastal states for all forms of offshore energy.

NOIA has long advocated a fair and equitable revenue sharing formula for coastal states. We feel that such a policy promotes responsible offshore energy exploration and development. Allowing coastal states to share in the prospective future revenue generated off their coasts from both traditional and renewable offshore energy activities just makes good sense and, pardon the pun, also makes good cents. Actually, sharing revenue from offshore energy development creates potentially billions of dollars for state and federal treasuries.

This bill establishes a formula for the sharing of offshore revenues between state and federal governments. However, the bill's revenue sharing formula alone is only part of the equation to providing more revenue and additional energy security for America. Only by providing additional oil and natural gas lease sales in more of the OCS can this theoretical revenue sharing become reality. The two policies are inextricably linked—revenue sharing and access.

This bill recognizes that there are infrastructure demands placed on coastal states and communities that support offshore energy development. One prime example is in Senator Landrieu's home state of Louisiana, where LA-1, the two-lane highway that runs through the southern part of Lafourche Parish, is the only road providing access to Port Fourchon. Port Fourchon services 90 percent of all Gulf of Mexico deepwater energy projects, which are of great benefit to the United States. Therefore, LA-1 sees heavy traffic and maintenance costs.

Likewise, in Alaska, another state abundant in energy and other natural resources, families and communities understand that energy development and nature can co-exist in a symbiotic way. The invaluable role that Alaska plays in our energy security would be further protected by ensuring offshore revenue sharing so that the State can enhance the infrastructure that brings those resources to market. Many of the members of this committee are from energy producing states and recognize this fundamental relationship.

Currently less than 15 percent of the OCS is available for oil and natural gas exploration and development. (See attachment A.)* The Gulf of Mexico Energy Security Act of 2006 provided limited revenue sharing for Gulf Coast states. We support allowing all coastal states to receive 37.5 percent of the revenues generated by the offshore energy industry. We believe, however, that the talk of increased revenue is largely theoretical without the inclusion of additional lease sales off the coasts of those states who will share in that revenue stream.

America's energy sector is experiencing a revolution. The good news is that this revolution has brought thousands of new American jobs and billions of dollars in new revenues, not only to the federal treasury during a time when our country needs it most, but also to the treasuries of countless states and communities across our country. According to a recent Congressional Research Service report, about 96 percent of the increase in oil production since 2007 has occurred on non-federal lands. Similarly, natural gas production on the federal estate fell by 33 percent since 2007 while natural gas production on private and state lands grew by 40 percent.

We have an opportunity to address our economic challenges, deficit problems, and national security vulnerabilities by simply allowing the private sector to engage in more responsible and safe energy exploration and development. Increased access to federal offshore areas must be a part of that discussion. The unfortunate reality, however, is that America has effectively banned exploration in over 85 percent of its OCS. Other countries are moving in the opposite direction. Nations such as Norway, Ghana, Iceland and Cuba have opened up new offshore areas for exploration. In fact, to my knowledge, America is the only country developing its offshore areas

---

* Graphic has been retained in committee files.

that has banned access to a majority of its offshore energy resources. In today's global economy, companies will invest capital in the areas where they are allowed to operate, which potentially means a loss of jobs and energy for the United States.

Despite the restrictions on federal lands that I noted a moment ago, what we have learned from the development on state and private lands is that the energy sector is a bright spot in our economy. During the last two years, while much of the economy was suffering, oil and gas companies were actually providing new jobs.

To bring this economic dynamic closer to home, in 2011 Quest Offshore Resources conducted a study of economic and jobs benefits created by the offshore oil and natural gas industry in the Gulf of Mexico. In addition to the immediate economic benefits to the Gulf region, the study indicated that more than 2,400 companies from at least 47 states provided equipment, employees and/or services to the Gulf of Mexico offshore industry. The study revealed that states across the nation have direct or indirect economic ties to the offshore industry. Those states include Oregon, Alaska, Louisiana, Arizona, Colorado, Delaware, Hawaii, Idaho, Michigan, Minnesota, Nevada, New Mexico, North Dakota, Ohio, South Carolina, South Dakota, Tennessee, Utah, Vermont, Washington, West Virginia and Wyoming. Those are just the offshore industry connections from the Gulf of Mexico. Imagine the economic benefit of opening up more offshore areas. The current de-facto moratorium on over 85 percent of the U.S. Outer Continental Shelf is a key example of how the federal government is standing in the way of these American jobs. If the OCS were opened for exploration, it is estimated that the offshore industry would sustain 1.2 million new jobs over the next 30 years and generate an additional $1.3 trillion in new revenues.

Congressional delegations in states such as South Carolina and Virginia have introduced legislation to provide for lease sales off their shores. I urge the committee to look at this possibility as part of a larger offshore energy policy.

I'd also like to speak to assertions that offshore revenue sharing with coastal states amounts to a raid on the federal treasury by diverting funds that would otherwise flow to the federal government. Simply put, right now there are no revenues coming from offshore oil and natural gas development in about 85 percent of the OCS. Thus, the federal government is receiving 100 percent of nothing from these areas. Under the formula in this bill, and assuming future lease sales in new areas, the Federal government would receive 62.5 percent of something. Only in Washington, D.C. would we think receiving 100 percent of nothing is better than receiving 62.5 percent of something. I am not an economist, but I prefer some revenue to no revenue.

So far my remarks have focused on offshore oil and natural gas development, but our OCS also has potential for energy from wind, wave and ocean currents and tides. Federal policy differs greatly with respect to moving forward on lease sales in new areas for traditional energy versus non-traditional energy. While our federal government is moving quickly to establish lease sales for wind energy off the Atlantic coast, which NOIA strongly supports, federal policies continue to restrict traditional energy access to less than 15 percent of the OCS. All energy sources should be a part of the all-of-the-above energy approach. While we expect great strides in the years to come for these non-traditional sources of energy, the Energy Information Administration predicts that in the year 2040 traditional forms of energy such as coal, oil, natural gas and nuclear will continue to supply over 80 percent of our energy portfolio. We need a policy that treats all forms of energy development fairly and allows them all to be developed where appropriate in the OCS.

The issue of identifying the most appropriate areas for development is also a key question, because frankly we currently do not know the answer. Until 2008, the roughly 85 percent of the OCS that is currently closed under the administration's 2012—2017 Five Year Plan was closed due to congressional and administrative moratoria. These moratoria effectively prevented industry from even conducting preliminary geological and geophysical (G&G) exploration for oil and natural gas reserves. The result is that we are basing resource estimates upon 30-year old data using older technology.

Therefore it is critical that the administration quickly complete its pending Environmental Impact Statement on Atlantic G&G activities. If not completed soon, there will not be any new data to feed into the 2017—2022 Five Year planning process. However, the only sure way to spur this G&G work and determine if there are commercially viable assets in the more than 85 percent of unexplored territory, is to schedule lease sales and eventually drill new wells. In the Gulf of Mexico, the experience has been that industry has discovered many times over the amount of oil and natural gas thought to be there in the mid-1980s. Will there be a similar experience for the mid-and south-Atlantic and other new areas? We will not know until we look.

In conclusion, thank you Chairman Wyden, Ranking Member Murkowski, Senator Landrieu and all committee members for the opportunity to share my thoughts with you today. I firmly believe we stand on the brink of a new frontier for the United States. Ten years ago, few thought we could be an exporter of natural gas, let alone oil. Our offshore resources can, and should, be a strategically prominent part of our nation's energy future. The extension of revenue sharing to all coastal states along with additional access to the OCS can help make that future bright and sustainable.

I would be happy to answer questions.

The CHAIRMAN. We have never had anyone paraphrase Billy Preston, whose song was nothing from nothing.

[Laughter.]

The CHAIRMAN. You have brought a first to us.

Mr. LUTHI. Thank you, I believe, Mr. Chairman.

The CHAIRMAN. Very good.

Our next witness is Mr. Athan Manuel with the Sierra Club.

STATEMENT OF ATHAN MANUEL, DIRECTOR, LANDS PROTECTION PROGRAM, SIERRA CLUB

Mr. MANUEL. Oh, I got a red light.

Thank you, Mr. Chairman and Ranking Member Murkowski and members of the committee. My name is Athan Manuel. I'm the Director of the Lands Protection Program for the Sierra Club and represent 2.1 million members from around the country.

We have members in all 50 States and have over 65 chapters in those 50 States. I appreciate the opportunity to testify this morning on the FAIR Act.

I'll try and not read my testimony to take your advice, Chairman Wyden, at the start here.

The CHAIRMAN. Great.

Mr. MANUEL. But obviously the Sierra Club, I think it's not news, opposes Senate Bill 1273. We've been a long standing opponent of revenue sharing for many of the reasons that Ms. Alexander cited in her testimony that—and if you look at what's happening here in Washington and around the country—we think our Nation faces two very great challenges.

One is with the Federal budget deficit and sequestration.

The other one is climate change.

We think, unfortunately, this bill takes us backward on both of those very important issues.

Diverting this much revenue from the Federal Treasury back to the States would be a significant financial hit to the Federal Treasury and increase the deficit. So we would oppose that. But we also don't want to see any incentives for new oil and gas drilling primarily because of the issues surrounding both spills and pollution that are associated with offshore drilling as we saw from the Deep Water Horizon spill or other spills in the last 30 or 40 years.

But also we see most of these issues though under the umbrella of climate change. That if we're serious about fighting climate change we need to start taking measures to get our Nation off of fossil fuels and speed ourselves into a clean energy economy where we produce domestic, clean sources of energy that keep jobs here in the United States and don't contribute to climate change.

So that's our primary opposition to this is both from a financial and from a climate perspective.

In terms of the oil and gas industry itself, we don't think they really need many more incentives. I mean the industry is doing quite well. The number of rigs have tripled since President Obama has come into office. The U.S. is producing a record amount of oil in the last couple of years. The current 5-year plan does allow for access to 85 percent—75 percent of the estimated undiscoverable and technically recoverable oil that's currently open in the Central and Western Gulf.

So for all those reasons we think that is why we oppose these measures.

On renewables we do think, though, that we should find a path forward to provide more financial incentives for renewable energy. Again, because it would help us fight climate change and reduce domestically produced sources of energy.

On LWCF finally we are big fans of LWCF. We do want to see it fully funded and funded to the $900 million. But for both LWCF and renewables we don't want to see them attached to a bill that would keep our Nation hooked on fossil fuels and continue on the path of dirty energy.

So for all those reasons we appreciate the opportunity to speak on the bill, but have to speak in opposition to the FAIR Act.

Thank you for the time and the opportunity.

[The prepared statement of Mr. Manuel follows:]

PREPARED STATEMENT OF ATHAN MANUEL, DIRECTOR, LANDS PROTECTION PROGRAM, SIERRA CLUB

I. INTRODUCTION

Mr. Chairman and members of the Committee, good morning. My name is Athan Manuel, and I am the Director of Lands Protection for the Sierra Club. I am here representing more than 2.1 million Sierra Club members and supporters who belong to more than 65 chapters and 450 groups nationwide. We are the largest environmental grassroots organization in the country. I am very appreciative of the opportunity to testify this morning regarding S. 1273, the Fixing America's Inequities with Revenues (FAIR) Act.

The FAIR Act will increase and accelerate the sharing of federal offshore oil and gas revenues with coastal states. It will send as much as 37.5 percent of offshore energy production revenues to coastal states, while gradually eliminating the current $500 million annual cap on payments to those states. In addition, it expedites the second phase of revenue sharing under the Gulf of Mexico Energy Security Act (GOMESA), expanding qualifying revenues to include those from additional leased areas of the Outer Continental Shelf (OCS).

II. THE FAIR ACT DIRECTS FEDERAL REVENUE TO A HANDFUL OF STATES

In 1947, the Supreme Court granted the federal government "paramount rights" to the Outer Continental Shelf.[1] Citing the federal government's essential role in commerce and national security, the Court gave it "full dominion of the resources of the soil under that water area, including oil."[2] This ruling was twice affirmed as states continued to bring claims to the OCS.[3]

Although our coastal waters belong to all Americans, the FAIR Act will divert billions of dollars in federal revenue to a handful of coastal states. Annual revenues from mineral leases on federal lands are one of the government's largest sources of

[1] United States v. California, 332 U.S. 19, 38 (1947).
[2] Id. at 39.
[3] United States v. Louisiana, 339 U.S. 699 (1950) (rejecting Louisiana's claim to ownership of the seabed extending twenty-seven miles into the Gulf of Mexico); United States v. Texas, 339 U.S. 707 (1950) (rejecting Texas' claim to ownership of the seabed extending twenty-four miles into the Gulf of Mexico).

non-tax income. Last year, revenues from offshore oil and gas leasing and production totaled nearly $7 billion.[4]

Recent estimates place the deficit for this fiscal year at $642 billion.[5] Several members of Congress have referred to this as the biggest, most fundamental challenge we face.[6] Yet in a time of sequestration and budget challenges, the FAIR Act will deplete federal revenues and increase the deficit.

Moreover, a recent report exposed gross mismanagement in Mississippi of millions of federal dollars derived from federal offshore leasing.[7] An audit of the Coastal Impact Assistance Program (CIAP), which awards grants to oil-producing states for projects related to coastal conservation and restoration, found that lax federal oversight has led to almost $30 million dollars in questionable spending. In one case, an official from the Mississippi Department of Marine Resources used CIAP funds to buy a yacht club from a friend—the state paid $3.7 million for the property, but allowed the seller to continue operating the business and collecting revenues.

III. THE FAIR ACT PROVIDES INCENTIVES FOR STATES TO PUT CRITICAL COASTAL ECONOMIES AT RISK

In addition to being ill-considered from a national economic perspective, the FAIR Act will provide an incentive for coastal states to agree to new or additional offshore oil and gas development, development that could put booming local economies at risk. While only a few big oil companies will profit from drilling off of our coasts, all Americans stand to profit from keeping our oceans, beaches and coastal economies clean and healthy.

The importance of coastal communities to our nation cannot be underestimated. Americans take almost two billion trips to the beach each year and spend billions of dollars in coastal communities.[8] Our coastal recreation and tourism industry is the country's second largest employer; for every one job in the oil and gas sector, there are 84 jobs in the region's leisure and hospitality industries.[9] According to the World Tourism & Travel Council, tourism in America employs over 14.7 million people, 10 percent of the American workforce, and accounts for 8.8 percent of the national GDP, bringing in $1.3 trillion. This makes America's coastal recreation and tourism industry the second largest employer in the nation.

In addition to tourism, coastal economies are heavily reliant on commercial and recreational fishing. The two generate close to $200 billion annually in sales and support over 1.4 million jobs.[10]

Every aspect of offshore oil and gas development threatens our coastal waters and communities. Exploration, drilling, and transportation raise the risks of catastrophic oil spills, and expose our air, water, and wildlife to significant amounts of pollution.

Oil Spills

Where drilling takes place, oil spills are inevitable. There have been at least 347 large spills (more than 2000 gallons) in the OCS since 1964[11], smaller spills are a regular occurrence, and chronic—and chronically unaddressed—spills continue to

---

[4] Office of Natural Resources Revenue, "Reported Revenues: Federal Offshore in All Offshore Regions" (2013). Available at http://statistics.onrr.gov/ReportTool.aspx.

[5] Congressional Budget Office, "Updated Budget Projections: Fiscal Years 2013 to 2023" (2013). Available at http://www.cbo.gov/publication/44172.

[6] See e.g., Bonner County Daily Bee, "Crapo: Debt is biggest challenge" (2011). Available at http://www.bonnercountydailybee.com/news/local/article_ab88c336-d5f6-11e0-b530-001cc4c03286.html; News Room, "Corker Says President's Budget 'Makes a Mockery of the American People', Fails to Address the Biggest Challenge Facing the Country" (2012). Available at http://www.corker.senate.gov/public/index.cfm/news?ID=90a01dbc-cde4-4a9c-ab07-0dbc78d414b9.

[7] Office of Inspector General, "Management of the Coastal Impact Assistance Program, State of Mississippi" (2013). Available at http://www.doi.gov/oig/reports/upload/ER-IN-MOA-0013-2011Public.pdf

[8] United States Environmental Protection Agency, "Water: Beaches" (2013). Available at http://water.epa.gov/type/oceb/beaches/basicinfo.cfm.

[9] Bureau of Labor Statistics (2010). Available at http://www.bls.gov/cew/gulf_coast_leisure_hospitality.htm.

[10] National Oceanic and Atmospheric Administration , "Fisheries Economics of the United States 2009" (2011). Available at http://www.st.nmfs.noaa.gov/st5/publication/econ/2009/FEUS%202009%20ALL.pdf.

[11] Bureau of Safety and Environmental Enforcement, "Spill Summaries OCS Spills ? 50 Barrels CY 1964—2012" (2013). Available at http://www.bsee.gov/uploadedFiles/BSEE/Enforcement/Accidents_and_Incidents/Spills%20greater%20tha n%2050%20barrels1964-2012%20(As%20of%20August%203,%202012).pdf

this day from abandoned wells.[12] The results of an oil spill can be catastrophic for marine life and coastal economies. When oil reaches our beaches, it clings to every rock and grain of sand. As the Deepwater Horizon experience so amply demonstrated, even in calm waters thick with infrastructure current cleanup methods are incapable of removing more than a small fraction of the oil spilled in marine waters. Offshore drilling operations are especially vulnerable during hurricanes, a very real threat in the Gulf of Mexico where the majority of oil drilling occurs. In 2005, hurricanes Katrina and Rita caused 124 oil spills. Between the two storms, 741,000 gallons were spilled in the Gulf of Mexico.[13]

The 2010 Deepwater Horizon oil spill dramatically demonstrated how drilling can destroy fishing and tourism industries, and cost rather than create jobs. Two hundred million gallons of oil were spilled in the Gulf of Mexico, affecting 16,000 miles of coastline.[14] Many businesses are still struggling to recover three years later.[15]

Climate Change

Pollution produced by oil and gas drilling accelerates the global climate change, causing our planet's temperatures to rise more quickly. Average global temperature has increased by more than 1.3°F over the last century.[16] In addition to forever altering our coastal landscape, the resulting rise in sea levels will necessarily damage our coastal tourism economies by pushing visitors away from our beaches. Following a year of climate disasters—from droughts and wildfires to record heat and superstorm Sandy—it is clear that we cannot mitigate climate disruption with more of the same.

Drilling in America's Arctic

The expansion of drilling in the Arctic is particularly troubling. This area is too sensitive, too ecologically important, and—as the grounding of the drill rig Kulluk and indeed Shell's entire failed program demonstrated last year—too volatile for oil drilling. Three oil and gas lease sales are already conditionally scheduled for the Alaska OCS—the Chukchi Sea and Cook Inlet in 2016, and the Beaufort Sea in 2017. These waters are home to the entire U.S. population of polar bears, millions of migratory birds, and endangered Bowhead whales. Oil leasing threatens the sustainability of this natural area and the livelihood and integrity of Native Alaskan communities, and we simply should not be holding more leases in our Arctic waters.

While as explained above additional revenue sharing is not justified anywhere in our opinion, even the consideration of it in America's Arctic is particularly ironic given the demise of the federal-funded and incentivized Alaska Coastal Management Program. Such programs—established under the umbrella of the Coastal Zone Management Act—empower local communities to control development in their coastal areas, and provide them with resources and expertise to better understand and influence state and federal development proposals. Alaska had a robust plan covering its 33,000 miles of coasts, and its choice to reject local control and standards should not be rewarded with more federal money coming from development that threatens those very coasts.

Even if we could extract oil safely, burning and releasing that much carbon into our atmosphere would mean global climate disaster. The Arctic is especially vulnerable to climate disruption. It is warming twice as fast as the rest of the country and specialized wildlife are struggling to keep up. Permafrost is melting, shifting building foundations and roads. Wildlife migration patterns are changing, which means hunters must travel further and take longer to feed their families. Our last wild frontiers should be permanently protected, not opened to drilling that will destroy landscapes, hurt local communities, and fuel climate disruption.

---

[12] See e.g., NBC News, "Gulf Awash in 27,000 abandoned wells" (2010). Available at http://www.nbcnews.com/id/38113914/ns/disaster__in__the__gulf/t/gulf-awash-abandoned-wells/; FOX News, "27,000 Wells Abandoned, Unchecked in Gulf" (2010). Available at http://www.foxnews.com/us/2010/07/07/gulf-awash-abandoned-oil-gas-wells/

[13] Minerals Management Service, "Estimated Petroleum Spillage from Facilities Associated with Federal Outer Continental Shelf (OCS) Oil and Gas Activities Resulting from Damages Caused by Hurricanes Rita and Katrina in 2005" (2006).

[14] United States Coastguard, "On Scene Coordinator Report Deepwater Horizon Oil Spill" (2011). Available at http://www.uscg.mil/foia/docs/dwh/fosc__dwh__report.pdf

[15] See, e.g., CNN, "Empty Nets in Louisiana Three Years after the Spill" (2013). Available at http://www.cnn.com/2013/04/27/us/gulf-disaster-fishing-industry; Gulflive, "Three Years after BP Oil Spill, Jackson Economy Still Hurt But Fewer Tar Balls Seen" (2013). Available at http://blog.gulflive.com/mississippi-press-news/2013/04/three__years__after__bp__oil__spill.html.

[16] United States Environmental Protection Agency, "Climate Change Indicators in the United States" (2013). Available at http://www.epa.gov/climatechange/science/indicators/weather-climate/temperature.html

IV. WE SHOULD CREATE INCENTIVES FOR STATES TO ABANDON DIRTY FUELS IN FAVOR OF SAFE AND AFFORDABLE CLEAN ENERGY

The Sierra Club strongly feels that the best place to create domestic energy jobs is by focusing on renewable energy and energy efficiency. The renewable energy industry is providing clean, affordable, and reliable electricity across the United States. To support this industry, good green jobs are being created and they're overwhelmingly based here in the U.S. The sectors that have demonstrated the most dramatic job growth are the wind, solar, and energy efficiency. In fact, studies show that every dollar invested in clean energy creates three times as many jobs as every dollar invested in oil and gas.[17]

Instead of encouraging states to accept dirty offshore oil and gas development, we should provide states with greater incentives to embrace clean, safe renewable energy options. The renewable energy industry is providing affordable and reliable electricity across the United States. To support this industry, good green jobs are being created and they are overwhelmingly based here in the United States.

Countries across the world are already taking advantage of offshore wind turbines to harness the energy of strong, consistent ocean winds. Offshore wind energy offers something valuable to our economy and national security—an inexhaustible source of domestic energy. With 53 percent of our population living on the coast, offshore wind resources could supply enormous amounts of renewable energy to major coastal cities where energy demands are high. [18]

Our wind resource potential is estimated at 4,223 gigawatts, roughly four times the generating capacity of the current United States electric grid. If only a fraction of that potential is developed, it would fulfill a substantial portion of our nation's energy needs.[19] This month, in its first lease sale for commercial energy projects, the federal government will auction off approximately 164,000 acres of federal waters. If fully developed, this area could produce enough electricity to power over one million homes.[20]

Renewable energy sources will help us achieve true energy independence. The National Renewable Energy Laboratory (NREL) recently completed a several-year study to evaluate the future of renewable energy technologies in the United States.[21] The study found that renewable energy sources, like wind and solar, could provide 80 percent of our electricity by 2050. Combined with a more flexible electric system, renewables could meet the contiguous United States' electricity demands every day and every hour of the day. As a result, we would reap substantial environmental benefits; renewable use will reduce greenhouse gas emissions, helping to combat climate disruption, while solar photovoltaic and wind plants use little or no water. In addition, the NREL found that the cost associated with this level of renewable generation is comparable to other "clean-energy" scenarios, such as nuclear or natural gas.

In June, as part of his plan to combat climate change, President Obama made a commitment to double renewable electricity generation by 2020.[22] To reach this goal, we must invest in a range of energy technologies, while improving grid flexibility. Congress should continue to raise the fuel economy of our cars, encourage the use of renewable energy like wind and solar power, and adopt other, existing energy-saving technologies that cut pollution, curb climate disruption, and create good jobs.

V. OPENING NEW AREAS TO OFFSHORE OIL AND GAS DEVELOPMENT IS NOT NECESSARY, NOR WILL IT LOWER GAS PRICES

The FAIR Act provides an incentive for states to adopt offshore oil and gas drilling, despite the fact that doing so makes little sense. Many areas already made available for drilling are not in use; as of this time last year, nearly 72 percent of

[17] http://www.peri.umass.edu/fileadmin/pdf/other__publication__types/green__economics/economic__benefits/economic__benefits.PDF

[18] Bureau of Ocean Energy Management, "Offshore Wind Energy" (2013). Available at http://www.boem.gov/Renewable-Energy-Program/Renewable-Energy-Guide/Offshore-Wind-Energy.aspx.

[19] Id.

[20] The New York Times, "U.S. to Lease Federal Waters for Commercial Offshore Wind Energy" (2013). Available at http://www.nytimes.com/2013/06/05/business/energy-environment/us-to-hold-sale-for-offshore-wind-energy-leases.html?__r=0.

[21] National Renewable Energy Laboratory, "Exploration of High Penetration Renewable Electricity Futures" (2012). Available at http://www.nrel.gov/docs/fy12osti/52409-1.pdf

[22] Executive Office of the President, "The President's Climate Action Plan" (2013). Available at http://www.whitehouse.gov/sites/default/files/image/president27sclimateactionplan.pdf

the area leased for oil and gas development on the Outer Continental Shelf, totaling 26 million acres, was idle, neither producing nor undergoing exploration.[23]

Moreover, further offshore oil and gas development will do little to lower gas prices. Despite record oil and gas production, the national average price of gasoline on January first was $3.29—the highest starting point for a year ever.[24] Due to a combination of improved fuel efficiency standards and rising oil and gas production, the International Energy Agency (IEA) estimates that the United States could become energy independent by 2035.[25] The report stresses, however, that growing independence will not insulate the U.S. from the global market—because gas prices are set worldwide, reducing imports is unlikely to reduce gas prices. Instead, we will remain intimately tied to, and ultimately dependent on, the rest of the world. The only way to become truly energy independent is to eliminate our oil dependence altogether by developing alternative, renewable energy sources.

VI. The FAIR Act directs only minimal funds to the Land and Water Conservation Fund—a fund established to protect our most treasured places

The Land and Water Conservation Fund (LWCF) protects our open spaces using offshore oil and gas revenues. Since its creation, it has protected nearly five million acres of public lands—including Grand Canyon National Park, the Appalachian National Scenic Trail, and Pelican Island National Wildlife Refuge, our nation's first federal refuge.[26] Through its state assistance program, which provides matching grants to help states and local communities protect parks, playgrounds, and wilderness trails, the LWCF has benefited nearly every county in America.

The FAIR Act directs only $62.5 million to the LWCF, less than seven percent of the $900 million it is congressionally authorized to receive annually. It provides a completely insufficient level of LWCF funding, putting our most treasured natural, cultural, and recreational areas at risk. These special places could be lost forever if not purchased and conserved by the public.

The Sierra Club supports fully funding the LWCF at $900 million a year. However, it should be funded independently of a revenue sharing program.

VI. CONCLUSION

In a time of sequestration, the FAIR Act directs billions of dollars of much needed federal revenue to a few coastal states. In addition, it provides incentives for states to continue to rely on dirty fuels, placing our crucial coastal economies at risk. Instead, we should encourage states to embrace cleaner, safer forms of renewable energy, such as offshore wind energy.

Increased offshore drilling does not make sense for our country. It will neither eliminate our dependence on a global market, nor lower gas prices—but it will keep us dependent on fossil fuels, threaten coastal economies and ecosystems and contribute to climate change and disruption. The only way to become truly energy independent is through the development of domestic renewable energy sources.

Thank you again for the opportunity to submit testimony regarding the FAIR Act.

The CHAIRMAN. Alright. Thank you. I know you're going to get some questions in a moment.

Let's wrap up this panel with Ms. Cathie France. Welcome.

STATEMENT OF CATHIE J. FRANCE, DEPUTY DIRECTOR, ENERGY POLICY, VIRGINIA DEPARTMENT OF MINES, MINERALS, AND ENERGY

Ms. FRANCE. Good afternoon. The recovering trial attorney in me would never stay on script so you're lucky because I'm just going, sort of, summarize.

The CHAIRMAN. Good. Good.

---

[23] U.S. Department of the Interior, "Oil and Gas Lease Utilization—Onshore and Offshore: Updated Report to the President" (2012). Available at http://www.doi.gov/news/pressreleases/loader.cfm?csModule=security/getfile&pageid=239255.

[24] Testimony of Chris Plaushin, before the U.S. Senate Committee on Energy and Natural Resources: "To explore the effects of ongoing changes in domestic oil production, refining and distribution on U.S. gasoline and fuel prices". Available at http://www.energy.senate.gov/public/index.cfm/files/serve?File—id=e55fe608-639f-42e6-825c-b43811699fee

[25] International Energy Agency, "World Energy Outlook 2012" (2012). Available at http://www.iea.org/publications/freepublications/publication/English.pdf

[26] Land and Water Conservation Fund Coalition (2013). Available at http://www.lwcfcoalition.org/about-lwcf.html

Ms. FRANCE. I do thank you for letting us submit written because in these comments I did give a pretty robust background on the McDonnell Administration's advocacy for more access. We've had a roller coaster of activity as far as being included with Lease Sale 220. Then it being pulled back, delayed several times.

So I guess for lack of time sake, we would associate ourselves with Mr. Luthi's comments but we do think access, particularly off the coast of Virginia is important. But recognize that this bill doesn't cover that. It covers what would happen if we did have that access and what is fair as far as revenue sharing.

I will also point out the history that I've included on our efforts in the space of offshore wind. Governor McDonnell has taken a very staunch, all of the above approach. I'm always a little taken aback by the comments that we have to pick winners and losers when it comes to energy production. That there's this false line at 3 miles off the coast as far as what the impacts are and the burdens or the benefits and who should share them.

All of this rhetoric, to me, and to the Administration really sets up an us versus them when it comes to the States verses the Federal Government in energy production and doing what's right for the citizens of this Nation. Instead this Administration feels like the us versus them should be all of us, the States and the Federal Government against the them that's currently providing a lot of our energy resources.

Frankly, a lot of them are people who don't like us very much.

So this Administration, the McDonnell Administration's approach to the Obama Administration has been agree to disagree where we have to. Put in what we think the State's rights should be. But when it comes to energy production, let's work together.

I think you'll see in the timeline in the history of how we've tried to work with Former Secretary Salazar and the Administration both on increased access and on offshore wind development. You will see that we've truly tried to be a partner with the Federal Government when it comes to energy production. So that turns us to this bill in particular and our support for revenue sharing.

Virginia has one of the most robust ports on the Eastern seaboard, really in the Nation. We have extensive heavy marine construction capabilities, Maritime support infrastructure and an unlimited air draft for transit, air and sea.

But with offshore energy production whether it's oil, natural gas or wind, there will be upgrades that need to be made to the infrastructure at our port facilities themselves and for transportation in and out of that port. I don't just mean rail and roads, but also pipelines and transmission lines to bring that energy to the rest of Virginia but also to the region, to other States, inland States and the other States in the region.

So again, that line, that false line, that at 3 miles out everything is OK and the State should just have this unfunded mandate to provide all the additional infrastructure to move this energy to where it's needed, is really a little bit disingenuous.

We, our General Assembly, has passed legislation that says if we were to share in that revenue 70 percent would go to our Transportation Trust Fund which covers our road, rail and port facilities. That's how they're funded in our State budget.

Another 10 percent would go to our localities to help with transportation and other infrastructure, like schools, as the Senator pointed out, you know, when you have increased employees and families that move into the area.

Further, again, you know, we've been a true partner in the coastal management system in providing coastal and wetland protection and ensuring that we minimize the impacts to the environment and ensure the integrity of the coastline in Virginia. Again, this false line. To think that the State would have no role in that and would not have to partner with the Federal Government in doing that if this offshore energy production occurred, is just false.

It is a true partnership between the States and the Federal Government to mitigate those impacts and to ensure the integrity of our coastline moving forward. So again, we feel it would be unfair to expect for the State to uphold its end of the deal if the Federal Government gets all the resources to do so.

Finally I would just point out, you know, that this winner and loser mentality of oh, this is all about fossil fuels. Governor McDonnell believes in the all of the above approach. This bill, very astutely, does provide for increased research and development of alternative and renewable energy sources.

In our legislature when we passed the legislation that says how we would use any cost share or any revenue share that was allocated to us, we also gave 20 percent to our Virginia Coastal Energy Research Consortium which is a consortium of universities and energy companies in Virginia that do R and D on alternative and renewable resources and try to get them to commercialization.

So again I want to thank you for your time. That's just a brief summary. I appreciate your consideration of the written results. I'd ask that you seriously consider a vote in favor of this bill.

[The prepared statement of Ms. France follows:]

PREPARED STATEMENT OF CATHIE J. FRANCE, DEPUTY DIRECTOR FOR ENERGY POLICY, VA DEPARTMENT OF MINES, MINERALS AND ENERGY

Chairman Wyden, Senator Murkowski, members of the Committee, good afternoon. My name is Cathie J. France. I am the Deputy Director of Energy Policy at the Virginia Department of Mines, Minerals, and Energy and a key advisor to Governor McDonnell on energy issues. Thank you for the opportunity to present at today's hearing. This is a very important issue for Virginia.

While I am speaking on behalf of the McDonnell Administration, my comments also generally reflect the majority view of the citizens of the Commonwealth, our state House of Delegates and state Senate, as well as Virginia's two U.S. Senators and a majority of our Representatives in the U.S. Congress.

As you know, Virginia's bipartisan political leadership has expressed time and again their support for development of offshore oil and gas off of the coast of Virginia, as well as the development of offshore wind.

VIRGINIA'S SUPPORT OF OCS DEVELOPMENT

Immediately after his election in November of 2009, Governor McDonnell expressed his desire to both Interior Secretary Salazar and President Obama that the Administration proceed with the previously scheduled OCS Lease Sale 220 off Virginia. In February 2010, the Virginia General Assembly passed legislation expressing its support for determining the extent of oil and natural gas resources 50 miles or more off the Atlantic shoreline, including appropriate federal funding for such an investigation, permitting the production and development of oil and natural gas resources 50 miles or more off the Atlantic, and inclusion of the Atlantic Planning Areas in the Minerals Management Service's draft environmental impact statement with respect to oil and natural gas exploration, production, and development 50 miles or more off the Atlantic shoreline.

Virginia was thrilled when, in March of 2010, the President announced Lease Sale 220 would proceed as part of the 2007-12 five-year plan. In April 2010, Secretary Salazar came to Richmond and met with Governor McDonnell to discuss the scheduled Virginia 220 Lease Sale. In announcing his plan to expand offshore oil and gas exploration, President Obama said, "this is not a decision that I've made lightly. It's one that Ken and I—as well as Carol Browner, my energy advisor, and others in my administration—looked at closely for more than a year. But the bottom line is this: Given our energy needs, in order to sustain economic growth and produce jobs, and keep our businesses competitive, we are going to need to harness traditional sources of fuel. . .". Virginia could not agree more with this statement and was extremely disappointed when the President announced the cancellation of Lease Sale 220 in May of that year.

The President went on to say, "There will be those who strongly disagree with this decision, including those who say we should not open any new areas to drilling. But what I want to emphasize is that this announcement is part of a broader strategy that will move us from an economy that runs on fossil fuels and foreign oil to one that relies more on homegrown fuels and clean energy. And the only way this transition will succeed is if it strengthens our economy in the short term and the long run. To fail to recognize this reality would be a mistake."

Unfortunately, as we all know, on April 20, 2010 the Deepwater Horizon/Macando blowout occurred and on May 7, 2010 Interior indefinitely postponed the comment period and canceled the public meetings to scope the EIS for Virginia Lease Sale 220.

On May 27, 2010, President Obama announced the cancellation of Virginia Lease Sale 220 and on December 1, 2010, Interior announced that further east coast development would be postponed until the 2017-2022 five-year plan.

Virginia objected strongly to the Bureau of Ocean Energy Management and Interior Secretary Salazar's decision to leave development of Virginia's offshore energy resources out of the proposed 2012-2017 OCS plan. The Governor sent a letter to Secretary Ken Salazar in November, 2011 and had a member of his Cabinet testify at the public hearing on the Proposed 2012-2017 Five year OCS Plan urging Interior to provide a means to execute the Virginia Lease Sale 220.

Virginia supported the Administration's initial pause to evaluate what happened in the Gulf after Macondo. Governor McDonnell stated clearly that Virginia only wanted to proceed after a thorough investigation of the failure of the safety systems that led to the accident.

Virginia would have understood had that investigation caused a delay in proceeding with Virginia's sale such that we would have been pushed into the next five year plan, 2012-2017. But there is absolutely no reason why a Virginia sale should have been pushed out to the following plan, 2017-2022. We are encouraged by the recent actions by the House to pass the Offshore Energy and Jobs Act which would expedite the opening of areas off the coast of Virginia to offshore natural gas and oil production and allow for equitable revenue sharing.

VIRGINIA'S SUPPORT OF OFFSHORE WIND DEVELOPMENT

Virginia has also been a leader in supporting the development of offshore wind. In 2006, as part of its comprehensive energy plan, the Virginia General Assembly passed legislation declaring it the policy of the Commonwealth to support federal efforts to examine the feasibility of offshore wind energy being utilized in an environmentally responsible fashion. In 2009, they adopted a "first of its kind" in the nation Permit By Rule to streamline permitting of small (< 100 MW) land-based and offshore renewable energy projects by addressing all issues of species and habitat, water quality and other state regulatory issues in a single permitting process agreed upon by all interested agencies and other stakeholders.

In 2010, the General Assembly approved Governor McDonnell's proposed Green Job Creation Tax Credit, an annual $500 tax credit for every green job created with a salary of $50,000 or more, for five years and up to 350 jobs. In 2011, they approved Governor McDonnell's creation of a new Clean Energy Manufacturing Incentive Grant program to focus existing resources for energy development incentives on targeted nuclear, wind, solar and biomass alternative energy projects. The legislation expanded Virginia's economic incentive programs for those companies willing to locate and innovate in the Commonwealth and will help make Virginia a hub for clean and renewable energy production.

Further, the Governor supported the work of former Interior Secretary Ken Salazar's offshore wind consortium to reform the permitting process and develop leasing and permitting timelines that would support financing and actual project development which led to the Secretary's "Smart from the Start" program. The Governor also created the Virginia Offshore Wind Development Authority (VOWDA) which oversees the data gathering, research and planning that must be done to support offshore wind development off of Virginia's coast and track issues as they arise, and makes recommendations for promoting Virginia offshore wind development. VOWDA, in partnership with the Virginia Coastal Energy Research Consortium conducted several studies to quantify Virginia's offshore resource, and the transmission resources needed and available to support development of that offshore resource. The Commonwealth also partnered with the Bureau of Ocean Energy Management to conduct a regional ocean geological survey, which will provide data about the ocean floor that will be made available to developers. We have also submitted applications for two research leases—one in the wind area designated by the Department of the Interior in federal waters, and one adjacent to the Wind Energy Area designated for commercial development to facilitate turbine testing and future gathering of metocean data. Finally, the Commonwealth engaged with BOEM on their interagency task force to help deconflict military and commercial maritime interests in defining the Wind Energy Area and designing the sale notice for lease of that area. We are excited for that auction to take place on September 4, 2013.

I provide all of this information to demonstrate Virginia's continuous commitment to an all of the above approach to energy production, reduction in our dependence on foreign oil, and our dedication to the safe and responsible production of our offshore resources. I would like to turn now to the reasons we believe that this cannot be done without a fair and equitable revenue sharing of offshore revenues for coastal states.

SUPPORT FOR REVENUE SHARING

Virginia has one of the most robust ports in the United States with extensive heavy marine construction capabilities, major maritime support infrastructure with unlimited air draft transits between port and sea,. We are up to the challenge of providing the needed infrastructure for oil and gas exploration and development and the production of offshore wind. There will, however, be upgrades needed to our port infrastructure and to the transportation outlets leading to and from the Port once production of our offshore resources begins. We strongly believe that these infrastructure upgrades should be supported by money generated by revenue collected from the companies proposing to develop our offshore resources. In fact, in 2010, the General Assembly passed legislation that would dedicate 70% of any revenues and royalties paid to the Commonwealth as a result of offshore natural gas and oil drilling and exploration to the Transportation Trust Fund and 10% to the localities of the Commonwealth for improvements to infrastructure and transportation. The cost allocation provided for in the FAIR Act would provide the funds needed to accomplish these important infrastructure upgrades.

Further, Virginia would be required to support additional coastal and wetland protection and mitigation programs to ensure minimum impacts to the environment and maintain the integrity of our coastline during the development of our offshore resources. Additionally, we would partner with the federal government to implement safety programs, coordinate development operations with our military operations and commercial maritime interests and provide funding to help prevent or potentially respond to future incidents caused by weather events that may be beyond our control. It is very important that the federal Administration and the Commonwealth continue to work as partners in these important areas and it would be inequitable for the federal government side of the partnership to receive the only financial support for its efforts. This bill recognizes that and we applaud the Senator for encouraging the states and the Administration to work together and the provision of resources for both to be able to hold up their end of the deal.

Finally, Virginia has made a commitment to use part of any revenue shared from offshore production for research and development related to alternative and renewable energy. The legislation passed by the General Assembly dedicates twenty percent of such revenues and royalties to the Virginia Coastal Energy Research Consortium which is a consortium of universities and energy companies in the Commonwealth dedicated to researching alternative and renewable energy innovations such as wave, tidal, wind, biodiesel production from algae, etc. This bill recognizes the importance of continuing to invest in research and development of innovative alternative and renewable sources of energy by dedicating an additional ten percent of the revenue generated by offshore production and we are committed to continuing that partnership as well.

Thank you for your time and consideration this afternoon. I urge you to vote in favor of this bill and to enhance our energy security, our energy reliability, future innovation for alternative energy sources and the creation of many American jobs. Offshore energy production, along with revenue sharing to all coastal states, is necessary to create the partnership needed between the states and the federal government to create economic growth and improve our national security.

The CHAIRMAN. Thank you very much.

We'll start with Senator Landrieu.

Senator LANDRIEU. Thank you very much, Ms. France for that energetic support of our bill. We look forward to working with you. Tell the Governor we appreciate his support and all the Governors that have leaned forward to give some good suggestions for our bill.

Senator Dupre, thank you so much for coming. Your voice has been really extraordinary, not only in our State, but the Gulf Coast and your leadership.

Could you just underscore the cost of our coastal protection and restoration plan? Give a minute about how that plan was developed over the course of Republican and Democratic Governors, scientists, stakeholders, just a minute about that? What will happen to that if we don't get a steady, reliable stream of revenue? What will happen to our State and to the district that you have so ably represented?

Mr. DUPRE. Thank you, Senator Landrieu.

We currently operate in the State of Louisiana on a $50 billion master plan. This is the first 2012 revision of this master plan. This concept started with two major issues as a result of Hurricane Katrina. I was the lead author of both of them.

One of them was, obviously I discussed it before, the constitutional dedication of all future oil and gas revenues which we passed.

The second one was creation of the Coastal Restoration and Protection Authority in consolidating and integrating those efforts under one umbrella in Louisiana and ordering that new agency with not one extra dollar of taxpayer moneys and bureaucracy. Just consolidating what we had into creating the first of its kind, master plan for both coastal restoration and hurricane protection. It was totally disconnected before Katrina.

So those are the two small, silver linings that came as a result of major public policy shift on the State level in Louisiana as a result of Katrina.

It's going to take a massive amount of money to fix the problems that have been caused in the last 90 or so years in the State of Louisiana.

Senator LANDRIEU. So prior to Katrina what you're testifying is that while we had a master plan or a vision for how to save this coast, it was not jointly connected with hurricane protection.

Mr. DUPRE. Hurricane protection.

Senator LANDRIEU. It was disjointed also in the sense that there was no stream of revenue but under various different Governors it kept evolving until Katrina hit. Then it really came together. Now we have a plan.

Would you say that there's a general consensus of scientists about?

Mr. DUPRE. Oh, of course. As a consensus and like I said both the CPRA bill and the OCS Revenue Sharing bill on the constitutional amendment and adoption of the first master plan and of the revision of the master plan. All 4 of these major issues received a unanimous vote in Louisiana Legislature.

So this is a huge, huge issue in our State. Eight-two percent of the people voting to, in some cases in North Louisiana against their own economic interests, voted to support this type of dedication.

Senator LANDRIEU. Ms. Alexander, let me ask you two questions. I'm disappointed in your lack of support for this bill. I just want to be clear where Taxpayers from Common Sense—Taxpayers for Common Sense. I'm looking for the common sense here.

You said that you don't support the bill because we don't have an offset. Would you support the bill if there was additional access to pay for what we are asking for?

Ms. ALEXANDER. We don't take a position on access. I want to be very clear. I mean, we generally take a position that revenues from Federal waters should go to the Federal Treasury.

Senator LANDRIEU. OK. Let me stop you there then because I think it would be very interesting. I just want to make this for the taxpayers that maybe belong to your organization that live along the coast.

I don't know if you're aware that 60 percent of all taxpayers in America live within 50 miles of the coast, 60 percent? So those taxpayers, who are paying taxes to the Federal Government to build the roads and all the infrastructure that Ms. France talked about, that Mr. Dupre has talked about, that Ms. Brower has talked about. Those are taxpayers too.

I think they would be shocked to hear you represent their interests that they are not entitled to share in the revenues that they are helping to produce for the Federal Government, those Federal taxpayers. I think they would be shocked to hear that your organization representing their interest in that way.

Do you have any polling data from your people that live along the coast?

Ms. ALEXANDER. We don't have polling people. But we have taken this position for several years. I've testified on this and people——

Senator LANDRIEU. I'll tell you the next time I do a poll——

Ms. ALEXANDER. Our position is very public.

Senator LANDRIEU. The next time I do a poll I'm going to poll it. Because I cannot imagine Federal taxpayers that live along the coast not believing that your organization is up here basically testifying that they have to pay 100 percent of the roads, the schools, the raised taxes on themselves, roads, schools and everything so that the Federal Government can get those revenues and basically spend it on Federal operating expenses.

I just cannot believe they would support it. But anyway.

Then just let me ask one question, Mr. Manuel, finally. You don't support the bill either. The Sierra Club has never supported this bill or this concept.

Do you support though the idea that Federal lands on interior States belong to all Americans? Do you support the revenue sharing that exists now in Wyoming and New Mexico or you all don't support that either?

Mr. MANUEL. No, we don't challenge that.

Senator LANDRIEU. You don't challenge that. You think that's fine. Why is that fine?

Mr. MANUEL. That seems to be the law. Just like on revenue sharing for——

Senator LANDRIEU. But if the law is wrong you wouldn't recommend it be corrected?

Mr. MANUEL. We have——

Senator LANDRIEU. The Sierra Club doesn't try to amend laws that they think are unjust just stop new ones?

Mr. MANUEL. No, we try and do that too. But we have never taken a position on changing the revenue sharing——

Senator LANDRIEU. OK.

Could I ask the Sierra Club, I mean, just if you would, as a, you know, would you do a poll of your members and just let us know if they think that that revenue sharing for interior States is fair? Ask them to describe or explain to us why they wouldn't have that same view for, you know, for Federal lands offshore?

Mr. MANUEL. I'd be happy to bring it up with our board and——

Senator LANDRIEU. OK. That would be great. I'm going to write you a letter asking that and if your board could explain it because it's puzzled me for a long time. Thank you.

Mr. MANUEL. You're welcome.

The CHAIRMAN. Thank you, Senator Landrieu.

Senator Murkowski.

Senator MURKOWSKI. Thank you, Mr. Chairman.

You know I can't help but be struck that with the priorities that have been expressed here today by members on this committee.

Whether it's for support for Land and Water Conservation Fund.

Whether it's support for renewables moving us away from fossil fuel.

Whether it's support for just conservation efficiency.

Clearly the desire all of us, I don't care where you are, but the desire for jobs and a stronger economy. I keep coming back and Senator Landrieu, I'm thinking that this is the perfect bill. We have to figure out a way to help with job creation, stronger economy.

When you've got a stronger economy this is how we deal with our debt and deficit issues. From a taxpayer's perspective I would like to think that most of us would rather find other ways to pay for these things rather than increasing taxes on our families and on our businesses and how we can move to this next generation of energy sources. We all recognize that it's going to take money to help build this out.

I can't think of a way that within our communities, within our States, that this is not a positive way for us to address some of these very difficult, challenging issues. So I remained perplexed. We've talked a little bit about the double standard again.

Mr. Manuel, you've just reinforced that you think that that double standard is somehow OK. I just have a real tough time with that.

I want to ask, I guess it would be directed to you, Mr. Luthi. From your perspective and we've been talking a lot about the oil and gas side here. But I think it is important to recognize that this bill is broader than that. It presents opportunities.

What was the level of interest in developing alternative and renewable energy resources within the OCS given what you're hearing within your association? Is this something—is this a concept that is intriguing and others would look toward development?

Mr. LUTHI. Absolutely. The development of what we often refer to as the non-traditional sources and particularly on the OCS, wind is the most talked about at the moment.

Senator MURKOWSKI. Sure.

Mr. LUTHI. The wind blows a lot off the coast of the United States. It's a valuable resource. If you look at the coastal United States, Senator Landrieu, you brought up the number of people who live near the coast.

It is a logical place to have, you know, energy development because you're going to be supplying some of the major areas. So certainly that is there. What has been, of course, part of the problem has been is distance and cost because right now those are more expensive to build offshore than they are on.

But as you see as the industry develops I think you're going to see those costs come down. We believe, you know, again, all of the above energy. Treat them all fairly. Treat them all the same.

We believe that there is a great option for traditional and non-traditional sources in the OCS.

Senator MURKOWSKI. When you talk about the costs.

Say, for instance, the development of offshore wind. OK, the costs of that particular project may go down. But you still have impact to wherever you are jumping off from to go to that offshore wind energy site, not unlike the impact that you will have with development of more traditional fuels.

So I think what we keep coming back to is we don't want to discourage this development. We acknowledge that this will be good for our country, good for our economy and good for a lot of different reasons but that there is impact to development. So recognizing that, let's figure out how we can lessen the impact to that same group that is host.

At this point in time I'd turn to you, Mayor Brower. You mentioned you have 8 thousand miles of coastline within your Borough, 94 thousand square miles of land that you, as Mayor, are tasked with. Can you speak just a little more directly to some of the strains on the Borough's resources that you have seen just in these few years?

You know, Shell, obviously is not offshore right now. But they were gearing up over these past few years. What strains on Borough's resources have you seen as a result of that?

Ms. BROWER. Mr. Chairman Wyden.

The CHAIRMAN. Yes.

Ms. BROWER. Honorable Senator Murkowski. Housing is a very big strain. I believe that it's very well received as one of the worst catastrophes to our region is lack of housing.

The North Slope Borough in 2004 turned over every Housing Authority to its TNHA, Tagiugmiullu Nunamiullu Housing Authority, which is part of the HUD program and no longer does housing. We were hoping that with the new operations that Shell Oil would have just off our shores would bring in more revenues that we could be able to help our residents in housing needs. But that's not one issue that I can begin to say.

The other infrastructure issues that we are is we miss, like about, 4 feet from our flood in November. The next flood I expect my whole town in Barrow to be wiped out just by infrastructure lost. That is a concern.

We're on ice infested waters. We're worried about oil spill. However as whalers, as hunters, as grandparents, as mothers, fathers, we embrace what the Federal Government has told us that this is in your trust. Interior Department says this is in your trust. We believed them.

We always believe what the United States says to us. But they turn around and says another. So when we heard about this revenue sharing, we automatically were happy because now we're able to do revenue sharing. We're able to bring at least some coffers into our government so that we can provide the service.

The Federal Government has since left us. Yes, we have a new hospital. But we're worried that it's going to be all North Slope Borough who is going to take full responsibilities.

There are other issues that I've gone and testified before on, just on the NPRA legacy wells. But the most important is our services to our residents. I have 10 villages which includes Prudhoe Bay.

I have a total of 11,000 people. About 9,000 are at least permanent residents. A thousand in and out, maybe 2,000 at the most that are from the whole United States, international waters, coming in to work in Prudhoe Bay.

Now imagine in 5, 6 years when the OCS really begin. I'm already being asked by the Korean government to come off my port. What port? I don't have a port in North Slope. I don't have a port in Barrow, Alaska.

So they want to put out over thousands of Koreans off my shores. I'm sorry. I don't have no place for you. Please leave. Go to the next village that has the port.

That's the infrastructure that I'm only asking that the Federal Government at least help us. So we were elated when the United States Coast Guard was going to make a presence in our region. We're going to spend money so we can keep them. They choose to go to the next community so that they can pay a lower rent.

I have a solution. But I'm not going to say it right now.

Senator MURKOWSKI. Mayor, thank you.

The CHAIRMAN. Thank you all very much. I think we've got a vote in a few minutes.

I just had a question about a program that has expired, but I want to see if it did any good as we are part of this effort to educate ourselves. In the Energy Policy Act of 2005, Congress enacted an OCS Impact Assistance Program under which $1 billion was dedicated to addressing State and local impacts from Federal OCS development.

Did either of you, Mr. Dupre or Mayor, did either of your areas get any money from this? If so, how did it work? What can you tell us, if anything?

In other words, this was a program. My understanding is it was a 4-year program, something like that.

Mr. DUPRE. It was a 4-year program. I think Louisiana got 54 percent of the $1 billion. All of it went to environmental projects. Some of them are just now going to bid very shortly because of permitting and other regulations.

Actually had 6.3 million for two environmental water control structures along the Morganza alignment which we'll be building within the next few months.

So, yes it has——

The CHAIRMAN. Was it a useful program?

Mr. DUPRE. Very, very. It was very useful.

The CHAIRMAN. Used it primarily for environmental.

Mr. DUPRE. It's not long term. It's not recurring.

The CHAIRMAN. Got it.

Mr. DUPRE. That's the only problem with it. But it is a very useful program, especially on environmental type projects.

The CHAIRMAN. Very good.

Mayor, would like to add anything on that point? Do you recall anything about that program?

Ms. BROWER. I don't recall, but we have a similar program which is the National Petroleum Reserve Act which we receive, where the money is given to the State. Then we receive only through a grant. We don't get direct moneys from the Federal Government.

That has been sustainable. But it can be improved.

The CHAIRMAN. OK. We have Senator Barrasso on his way. I'm going to let him, if he arrives, ask questions. But I do want to give the last word to Senator Landrieu and Senator Murkowski.

Senator Landrieu.

Senator LANDRIEU. I just have two brief questions. I'm still just intrigued with the Taxpayers for Common Sense.

Ms. Alexander, are you aware that, I guess, a similar thinking went into a couple of years ago when the New Orleans area argued that we needed to have about a billion dollars in addition Federal funding for our levee construction. We were turned down. I know you may not remember that. It was about, actually before I got here.

John Breaux and Bennett Johnston were the Senators and Russell Long had argued that, you know, 1 day New Orleans would get hit by a major storm. It would be really a smart expenditure of Federal dollars to at least join with the locals to put up a billion dollars for the levee. That wasn't done.

You know what happened in 2005, Katrina came. It cost the Federal taxpayers, that you claim to represent, $120 billion. So my question would be is sometimes is it important to spend a little bit on the money on the front end to save a lot on the back end or you don't agree with that either?

Ms. ALEXANDER. I definitely agree that sometimes it's important to spend a little bit of money on the front end to save money on the back end. We work a lot on flood control. We work a lot on the Army Corps of Engineers.

I don't remember the specific instance you're talking about. But we have had staff working on Army Corps of Engineers, Mississippi River and flood control for a long time. We often pay for——

Senator LANDRIEU. That's good. That's good. That's very, very good because that's exactly what the underlying principle of the

FAIR Act is is to spend a little bit of money now and save a lot of money at the end.

Mr. Manuel, I'm going to put up this here because I know the Sierra Club is one of the major environmental organizations in the country and you all may say, the world. This is the largest erosion project in the continental United States. What is the Sierra Club's plan to fix this?

Mr. MANUEL. I think we're part of the coalition in the Gulf that wants to see the area restored.

Senator LANDRIEU. So what are your specific plans to generate funding? Do you have an estimate of how much it would cost?

Mr. MANUEL. I'll have to get back to you on that.

But I think we're concerned like you are about sea level rise and the loss of wetlands and super storms. That's all related to climate change.

Senator LANDRIEU. So what is the Sierra Club's plan to secure the livelihood of the people and their life and their health and their communities? I mean, there are hundreds of communities that are threatened here. Do you have a plan to help them?

Mr. MANUEL. I think we do. I'm happy to follow up with you on that.

We have signed on to the coalition efforts in the wake of Katrina and in the wake of the Deep Water Horizon to—and we know it's a long term project to restore those——

Senator LANDRIEU. Where would we get long term money if not from revenue sharing? Where will that come from?

Ms. Alexander says we don't have even that.

Mr. MANUEL. Senator, we're not advocating for the repeal of GOMESA. You guys have revenue sharing coming from GOMESA.

Senator LANDRIEU. With a $500 million cap split 4 ways where the interior States have no cap. We have a $500 million cap split 4 ways. So that would basically generate a maximum of $100 million a year.

The project costs $50 billion over 50. I don't think $100 million a year is going to do it. Do you?

Mr. MANUEL. No, but I'm happy to follow up with you on that.

Senator LANDRIEU. OK. That's all.

Alright. Then let me just add with this visual. I've been to the North Slope. I haven't been to the North Slope, but where did I go? They said to the village that fell into the big—Kaktovik and I went to Barrow. No, I think I went to Barrow.

Anyway I've been to the coast of Alaska out in the middle of, you know, Shishmaref. It's just breathtaking. I've been to Grand Isle in Louisiana, one of our little islands.

Whether you're standing right on the coast of Oregon or on the coast of Louisiana, on the coast of Alaska or the coast of Florida, what you see are these communities that can just look with their own eyes and see either windmills, rigs producing billions and billions of dollars of revenues for the Federal Treasury and for the private sector. These children that stand on this beach and these people that stand on these shores don't have an emergency room to go to. Some of them do not have clean drinking water. I have to listen to the Sierra Club and the Taxpayers for Common Sense and other opponents of this common sense legislation to simply ask to share a portion of the revenues for the necessary infrastructure, necessary to provide the host platform for the economic activity to occur.

Do you think you just wave a magic wand and the oil and gas just flows out of the ground and jumps into everybody's tanks?

How do you think the oil and gas get into people's tanks? When they fill up at the gas station do you think that there are a bunch of fairy godmothers out there that just wish a magic wand?

I'll tell you how it gets there. The poor people in Alaska, the poor people in South Louisiana, that can't get one penny to build a gravel road, get up every day and walk to the shore, fly off in helicopters and ports and have to sit here and listen to the Federal Government say, we can't share a penny with you. I will not rest until this injustice is fixed.

The CHAIRMAN. Let's do this. I think they may have called the vote.

Let's see if we can have Senator Barrasso's questions and we will conclude for the day.

Senator BARRASSO. Thank you, Mr. Chairman.

Mr. Luthi, the Obama Administration argues that its policies open up offshore areas which contain more than 75 percent of the undiscovered, technically recoverable oil and gas resources estimated to exist on the outer continental shelf.

Ms. Haze repeated this claim in her written testimony to the committee. However, in your testimony you state that America has effectively banned oil and gas exploration over 85 percent of the outer continental shelf. That less than 3 percent of the outer continental shelf is currently leased for energy exploration or production.

So could you just help the committee reconcile your testimony with the claims from the Administration?

Mr. LUTHI. Thank you, Senator, Mr. Chairman.

Yes, I can. If you only look in one area that's all you know. That is the approach, of course, that the Administration presented here today.

We've only been looking in 15 percent of the OCS for probably 40, 50 years. So therefore, it is certainly, if you have sales in that area it's covering the known resources.

The fact is we don't know what's in 85 percent of the rest of the OCS.

Senator BARRASSO. So is it fair to say the Administration's claims are misleading?

Mr. LUTHI. I think they're accurate as far as that girl stated. But again, if you only look at a narrow window that's all you're going to see is a narrow window.

Senator BARRASSO. You testified that the bill's revenue sharing formula alone is only part of the equation to providing more revenue for additional energy security for the country.

You explain that revenue sharing in additional access to offshore areas are inextricably linked.

You go on to say that right now there are no revenues coming from offshore oil and natural gas development in about 85 percent of the outer continental shelf.

That the Federal Government, as you said, is receiving 100 percent of nothing from these areas.

Would you expand upon the importance of providing additional access to offshore oil and gas resources as we consider this revenue sharing legislation?

Mr. LUTHI. Thank you. Mr. Chairman and Senator Barrasso, thank you for reading the testimony. I'm impressed.

Absolutely. We think it is important that you actually—there's a couple of reasons I'd like to talk about.

One is we need greater diversity from the oil and gas area. The Gulf of Mexico does a fantastic job in supplying almost a third of our Nation's oil. I think it's about 17 percent of our Nation's gas.

It's done well. It does great. But as we've talked about before if a hurricane happens to come into the area, the Gulf of Mexico, it's easily 90 percent of that production is shut down. It should be shut down for safety reasons.

Wouldn't we be better off if we were able to diversify the source of that oil and gas to possibly the East Coast, possibly more of California? Again for energy security, energy reliability, we should be opening up more areas in the OCS.

Senator BARRASSO. Just one final question. In your testimony you encourage the committee to consider legislation to provide oil and gas lease sales off the coast of Virginia and South Carolina.

Would it be fair to say that industry supports even limited efforts to open up additional areas to offshore oil and gas leasing?

Mr. LUTHI. Yes.

Senator BARRASSO. OK, thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank my colleagues. I thank all our witnesses. We've been at it for, as you all have seen, for well over 2 hours.

As I indicated some time ago that this is not something where we come with a clean slate, if there was a clean slate this would be a different debate. Because there is decades and decades of history and we have economic issues. We have environmental issues. We have taxpayer issues.

This is going to be a very, very significant challenge. But I think my colleagues to a one, have handled this discussion in a thoughtful way. We've gotten some good answers on the record.

Thank you all for your patience.

With that the Committee on Energy and Natural Resources is adjourned.

[Whereupon, at 4:50 p.m. the hearing was adjourned.]

APPENDIXES

APPENDIX I

Responses to Additional Questions

RESPONSE OF REGGIE DUPRE TO QUESTION FROM SENATOR MURKOWSKI

Question 1. Please provide some examples of projects underway or completed due to payments received through the revenue sharing program established under GOMESA. If there was not revenue sharing in the Gulf, where would funds to complete these projects come from, or would the projects not be undertaken?

Answer. There are no completed projects funded from GOMESA because LA does not begin to receive significant Fed revenue sharing till 2017-18. However, this is the only recurring source of Fed revenue we can depend on for coastal protection projects. As I stated in my testimony in July, the voters of LA approved my State Constitutional Amendment in 2006 by an 82% margin that dedicated 100% of all revenue sharing to coastal protection or infrastructure projects directly related to coastal wetland losses.

RESPONSE OF REGGIE DUPRE TO QUESTION FROM SENATOR LANDRIEU

Question 1. Thank you again for your testimony. Can you please restate how much money is needed under the Coastal Protection and Restoration Authority's Plan (CPRA) to save the Louisiana Delta?

And if we do not find a way to protect this coast, what does our nation stand to lose?

Answer. According to the 2012 LA coastal master plan, it is estimated that it will take $50 billion to restore La's coast to a sustainable level. Without Fed revenue sharing (GOMESA and/or Proposed FAIR) there is no recurring source of Fed revenue to help us protect LA's vulnerable coastal communities. If these communities continue to be unprotected, the infrastructure and jobs providing approx 30% of the U.S.'s energy supply will be threatened. Such a situation will result in a bad economic situation for the entire nation.

RESPONSE OF PAMELA K. HAZE TO QUESTION FROM SENATOR WYDEN

Question 1. In the Energy Policy Act of2005, Congress enacted an OCS coastal impact assistance program (ClAP), under which $1 billion was dedicated to addressing state and local impacts from Federal OCS development.

- Please provide a chart that sets forth the amounts paid to each state and local political subdivision under this program, and if available, the use to which the funds were put?
- What kind of Federal oversight is there with respect to the use of the funds? Does the Secretary need additional authority to ensure that the funds are used as required by law?

Answer. The amounts paid to each state and local political subdivision are included in the following chart:

State	OPS	2007	2008	2009	2010	TOTAL
Alabama	Baldwin	$ 3,992,047.32	$ 3,992,047.32	$ 2,088,971.34	$ 3,057,121.64	$ 14,130,187.62
	Mobile	$ 4,951,015.14	$ 4,951,015.14	$ 2,815,918.74	$ 3,776,574.28	$ 17,494,523.30
	State of Alabama	$16,608,544.58	$ 16,608,544.58	$ 12,823,367.28	$ 12,691,149.56	$58,731,606.00
	TOTAL AL	*$25,551,607.04*	*$25,551,607.04*	*$19,728,257.36*	*$19,524,845.48*	*$ 90,356,316.92*
Alaska	Anchorage	$ 137,767.88	$ 137,767.88	$ 2,128,833.32	$ 2,106,886.58	$ 4,51[illegible],255.66
	Bristol Bay Borough	$ 665.86	$ 665.86	$ 10,289.08	$ 10,183.01	$ 21,803.81
	Kenai Peninsula Borough	$ 59,435.36	$ 59,435.36	$ 918,414.20	$ 908,946.01	$ 1,946,230.93
	Kodiak Island Borough	$ 73,170.52	$ 73,170.52	$ 1,130,654.28	$1,118,998.05	$ 2,395,993.37
	Lake and Peninsula Borough	$ 34,518.54	$ 34,518.54	$ 533,391.54	$ 527,892.66	$ 1,130,321.28
	Matanuska-Susitna Borough	$ 31,399.15	$ 31,399.15	$ 485,189.78	$ 480,187.82	$ 1,028,175.90
	North Slope Borough	$ 276,448.76	$ 276,448.76	$4,271,774.74	$4,227,735.83	$ 9,052,408.09
	Northwest Arctic Borough	$ 235,343.93	$ 235,343.93	$ 3,636,609.83	$ 3,599,119.01	$ 7,706,416.70
	State of Alaska	$ 1,576,250.00	$1,576,250.00	$24,356,719.71	$24,105,619.51	$51,614,839.22
	TOTAL AK	*$2,425,000.00*	*$ 2,425,000.00*	*$37,471,876.48*	*$37,085,568.48*	*$79,407,444.96*
California	Alameda	$ 55,796.28	$ 55,796.28	$ 36,937.16	$ 36,556.28	$ 185,086.00

	Contra Costa	$ 26,482.42	$ 26,482.42	$ 17,646.52	$ 17,464.57	$ 88,075.93
	Los Angeles	$ 456,521.10	$ 456,521.10	$ 305,692.80	$ 302,540.91	$ 1,521,275.91
	Marin	$ 46,986.07	$ 46,986.07	$ 31,073.51	$ 30,753.15	$ 155,798.83
	Monterey	$ 116,865.78	$ 116,865.78	$ 77,527.16	$ 76,727.75	$ 387,986.47
	Napa	$ 3,370.30	$ 3,370.30	$ 2,228.83	$ 2,205.85	$ 11,175.28
	Orange	$ 159,222.51	$ 159,222.51	$ 111,312.25	$ 110,164.57	$ 539,921.84
	San Diego	$ 161,848.79	$ 161,848.79	$ 108,197.44	$ 107,376.78	$ 539,575.89
	San Francisco	$ 29,350.71	$ 29,350.71	$ 19,539.23	$ 19,337.76	$ 97,578.41
	San Luis Obispo	$183,485.05	$183,485.05	$123,010.00	$120,751.96	$609,732.06
	San Mateo	$ 69,599.23	$ 69,599.23	$ 46,087.80	$ 45,612.56	$230,898.82
	Santa Barbara	$867,491.70	$867,491.70	$565,958.74	$560,123.38	$2,861,065.52
	Santa Clara	$ 69,051.44	$ 69,051.44	$ 45,623.19	$ 45,152.74	$ 228,878.81
	Santa Cruz	$ 49,520.67	$ 49,520.67	$ 32,759.32	$ 29,421.51	$ 161,222.17
	Solano	$ 10,699.51	$ 10,699.51	$ 7,075.75	$ 7,002.79	$ 35,477.56
	Sonoma	$ 42,998.37	$ 42,998.37	$ 28,435.49	$ 28,142.30	$ 142,574.53
	Ventura	$ 256,264.67	$ 256,264.67	$ 164,688.52	$ 162,990.48	$ 840,208.34
	State of California	$ 4,838,887.13	$ 4,838,887.13	$ 3,200,031.24	$3,167,036.49	$16,044,841.99
	TOTAL CA	***$ 7,444,441.73***	***$ 7,444,441.73***	***$ 4,923,124.98***	***$ 4,872,363.83***	***$ 24,684,372.27***
Louisiana	Assumption Parish	$ 1,464,263.20	$1,464,263.20	$ 1,430,190.39	$ 1,415,428.74	$ 5,774,145.53
	Calcasieu Parish	$2,209,951.24	$ 2,209,951.24	$2,034,718.98	$ 2,013,716.16	$ 8,468,337.62
	Cameron Parish	$2,939,072.4	$2,939,072.41	$2,583,969.47	$ 2,557,295.50	$ 11,019,409.79
	Iberia Parish	$ 2,250,670.86	$2,250,670.85	$2,125,1[illegible]	$ 2,101,554.81	$ 8,726,308.96
	Jefferson Parish	$ 3,815,520.53	$3,815,520.53	$3,675,707.00	$ 3,637,852.91	$ 14,944,686.97
	Lafourche Parish	$ 2,348,997.75	$2,348,997.75	$ 2,261,127.25	$ 2,237,788.04	$ 9,196,911.42
	Livingston Parish	$1,652,927.20	$1,652,927.20	$ 1,601,637.38	$ 1,585,105.73	$ 6,492,597.51
	Orleans Parish	$3,773,991.48	$3,773,991.48	$ 3,610,110.69	$ 3,572,848.05	$14,730,941.70
	Plaquemines Parish	$ 4,554,253.97	$ 4,554,253.97	$ 4,281,203.65	$ 4,237,013.27	$17,626,724.86
	St. Bernard Parish	$ 2,307,278.02	$ 2,307,278.02	$ 2,146,655.06	$2,124,498.89	$ 8,885,709.99
	St. Charles Parish	$ 1,577,519.47	$ 1,577,519.47	$1,338,688.43	$1,522,806.81	$6,016,534.18
	St. James Parish	$ 1,374,598.90	$ 1,374,598.90	$1,342,634.42	$1,328,776.36	$ 5,420,608.58
	St. John the Baptist Parish	$ 1,479,903.09	$ 1,479,903.09	$ 1,444,355.45	$ 1,429,447.46	$ 5,833,609.09

	St Martin Parish	$ 1,607,963.60	$ 1,607,963.60	$ 1,545,724.99	$ 1,529,770.44	$ 6,291,422.63
	St. Mary Parish	$ 1,880,298.83	$ 1,880,298.83	$ 1,780,794.01	$ 1,762,412.94	$ 7,303,804.61
	St Tammany Parish	$ 2,217,097.81	$ 2,217,097.81	$ 2,123,153.11	$ 2,101,238.36	$ 8,658,587.09
	Tangipahoa Parish	$ 1,675,530.05	$ 1,675,530.05	$ 1,623,908.84	$ 1,607,147.30	$ 6,582,116.24
	Terrebonne Parish	$3,364,675.17	$ 3,364,675.17	$ 3,177,259.50	$ 3, 44,464.16	$ 13,051,074.06
	Vermilion Parish	$ 2,147,250.92	$ 2,147,250.92	$ 1,993,658.71	$ 1,973,080.04	$ 8,261240.59
	State of Louisiana	$82,906,134.07	$ 82,906,134.07	$78,592,532.74	$77,781,314.50	$ 322,186,115.38
	TOTAL LA	***$127,547,898.57***	***$127,547,898.57***	***$120,911,588.83***	***$119,663,560.77***	***$495,670,946.74***
Mississippi	Hancock	$ 2,132,996.51	$ 2,132,996.51	$ 1,650,169.31	$ 1,633,158.31	$ 7,549,320.64
	Harrison	$ 4,273,308.96	$ 4,273,308.96	$ 3,289,579.81	$ 3,255,661.96	$ 15,091,859.69
	Jackson	$ 4,422,642.22	$ 4,422,642.22	$ 3,397,186.22	$ 3,362,155.93	$ 15,604,626.59
	State of Mississippi	$ 20,110,902.86	$ 20,110,902.86	$ 15,482,879.92	$ 15,323,241.52	$ 71,027,927.16
	TOTAL MS	***$ 30,939,850.55***	***$ 30,939,850.55***	***$ 23,819,815.26***	***$23,574,217.72***	***$109,273,734.08***
Texas	Aransas	$ 634,820.87	$ 634,820.87	$ 472,042.52	$ 467,198.21	$ 2,208,882.47
	Brazoria	$ 1,108,432.29	$ 1,108,432.29	$ 804,790.55	$ 796,526.98	$ 3,818,182.11
	Calhoun	$ 875,420.50	$ 875,420.50	$ 640,150.28	$ 633,578.72	$ 3,024,570.00
	Cameron	$ 919,400.98	$ 919,400.98	$ 700,249.39	$ 693,065.70	$ 3,232,117.05
	Chambers	$ 690,649.95	$ 690,649.95	$ 484,355.43	$ 479,379.72	$ 2,345,035.05
	Galveston	$ 1,564,825.01	$ 1,564,825.01	$ 1,114,088.57	$ 1,102,646.64	$ 5,346,385.23
	Harris	$ 3,302,941.42	$ 3,302,941.42	$ 2,422,319.65	$ 2,397,455.09	$ 11,425,657.58
	Jackson	$ 433,034.07	$ 433,034.07	$ 324,466.07	$ 321,136.76	$ 1,511,670.97
	Jefferson	$ 1,357,323.43	$ 1,357,323.43	$ 948,988.05	$ 939,238.84	$ 4,602,873.75
	Kenedy	$ 871,961.35	$ 871,961.35	$ 657,286.13	$ 650,542.22	$ 3,051,751.05
	Kleberg	$ 622,563.42	$ 622,563.42	$ 470,374.82	$ 465,549.24	$ 2,181,050.90
	Matagorda	$ 1,274,996.58	$ 1,274,996.58	$ 927,606.96	$ 918,083.10	$ 4,395,683.22
	Nueces	$ 863,247.03	$ 863,247.03	$ 643,824.78	$ 637,218.10	$ 3,007,536.94
	Orange	$ 737,196.04	$ 737,196.04	$ 527,350.97	$ 521,935.80	$ 2,523,678.85
	Refugio	$ 395,340.19	$ 395,340.19	$ 298,103.36	$ 295,045.03	$ 1,383,828.77
	San Patricio	$ 411,011.32	$ 411,011.32	$ 313,782.83	$ 310,564.39	$ 1,446,369.86
	Victoria	$ 455,275.71	$ 455,275.71	$ 343,879.13	$ 340,351.43	$ 1,594,781.98
	Willacy	$ 488,480.56	$ 488,480.56	$ 382,208.49	$ 378,289.23	$ 1,737,458.84
	State of Texas	$ 31,584,281.36	$ 31,584,281.36	$ 23,169,469.11	$ 22,931,638.42	$ 109,269,670.25
	TOTAL TX	***$ 48,591,202.08***	***$48,591,202.08***	***$35,645,337.09***	***$35,279,443.72***	***$ 168,107,184.97***
TOTAL ALLOCATIONS		***$242,499,999.97***	***$242,499,999.97***	***$242,500,000.06***	***$240,000,000.00***	***$967,499,999.94***

Projects under the State CIAP Plans address one or more of these authorized uses: (1) Projects and activities for the conservation, protection, or restoration of coastal areas, including wetlands; (2) Mitigation of damage to fish, wildlife, or natural resources; (3) Planning assistance and the administrative costs of complying with this section; (4) Implementation of a federally-approved marine, coastal or comprehensive conservation management plan; and (5) Mitigation of the impact of Outer Continental Shelf activities through funding of onshore infrastructure projects and public service needs.

Beginning in FY 2012, oversight and responsibility for management of the CIAP program has been delegated to the U.S. Fish and Wildlife Service, and it operates under the Service's Wildlife and Sport Fish Restoration Program (WSFR). Prior to this the program was administered by the Bureau of Ocean Energy Management, Regulation and Enforcement (successor to the Minerals Management Service). The administration of CIAP is modeled after the WSFR grant management system and adheres to the regulations at 43 CFR Part 12, Administrative and Audit Requirements and Cost Principles for Assistance Programs. The Service applies the same established policies and grant review and monitoring protocols to CIAP that are used to administer similar mandatory grant programs like Pittman-Robertson Wildlife Restoration, Dingell-Johnson Sport Fish Restoration, and the formula-driven portion of State and Tribal Wildlife Grants. Since February 2012, CIAP land acquisition protocol requires both a certified appraisal and a certified review appraisal using the Uniform Appraisal Standards for Federal Land Acquisitions.

All projects approved for CIAP funding are described in a State CIAP Plan that is reviewed by the public, submitted by the respective governors and approved by the responsible DOI administrative bureau. Each approved project in the plan was evaluated independently by the responsible DOl bureau prior to funding and found to conform to one or more of the five authorized uses mandated in the Energy Policy Act of2005. The ClAP grants that have been awarded by the Service have been reviewed and determined to substantially address the project description and objectives in the approved State ClAP Plan. Proposed projects that have minor deviations from the descriptions in the approved Plans are addressed through an amendment process that includes public review where project objectives could be affected.

The Energy Policy Act of 2005, Section 384, provided the necessary framework for grants to address the many issues related to conservation and mitigation efforts in the oil and gas producing states. The federal regulations for grant administration, notably 43 CFR Part 12 and 49 CFR Part 24, provide sufficient regulatory authority for the Service to administer ClAP in an effective, efficient, accountable and transparent manner.

RESPONSES OF PAMELA K. HAZE TO QUESTIONS FROM SENATOR MURKOWSKI

Question 1. During testimony, questions were raised about the status of the Department's Programmatic Environmental Impact Statement for seismic activity to assess the OCS resources base in the Atlantic Ocean. Please provide a status update on when the final EIS may be expected.

Answer. The goal is to complete the Programmatic Environmental Impact Statement (PElS) by the end of the year. Completion of the PElS is part of the Department's strategy to evaluate potential future offshore oil and gas leasing in new areas. This PElS is part of the region-specific strategy to responsibly develop modern information about the significance and location of oil and gas resources to inform future decisions about whether leasing in the Atlantic would be appropriate and where such leasing should take place. Through this process, BOEM is also actively working to identify and evaluate potential conflicts with existing uses in these areas, including with the military.

Question 2. Your testimony ignored the provisions in the FAIR Act (S.1273) that provide revenue sharing to states only if they establish funds in their treasuries to support clean energy and conservation projects. Do these provisions not support the Administration's energy and conservation goals?

Answer. As noted in the statement for this hearing, the Administration's concerns with the legislation are broad. The Department's preliminary calculations show that the legislation would likely result in a reduction of more than $5 billion in deposits to the Treasury through 2022, and the rate of reduction in deposits would dramatically increase thereafter. Similarly, the Congressional Budget Office's preliminary estimates, released shortly before the hearing, estimate that if enacted the legislation would increase direct spending by approximately $6 billion over the 2015-2023 period. This loss of revenue is a major concern for the Administration, particularly during this time of sequestration. The bill would add to the federal deficit, while missing important opportunities to strengthen core conservation programs through mandatory Land and Water Conservation Fund (LWCF) funding and to improve our energy security by establishing and funding the Energy Security Trust. These uses would benefit all states, including both those with offshore drilling taking place in adjacent Federal waters and those without.

While the Administration appreciates the concept of creating incentives for states to move toward development of alternative and renewable energy and supports additional conservation activities and projects, it appears that the language inS. 1273 would require only the establishment of such a fund by a state in order to receive a share of the 10 percent reserved for distribution in section 9(b)(1)(B)(ii). The language does not require that the revenue disbursed to a state under this provision be placed in that fund, and there are no enforcement mechanisms in the bill to ensure that the revenue disbursed to a state is spent for the fund purposes. It therefore appears that a state could use federal revenue received under this provision for any purpose, including those unrelated to clean energy and conservation.

Question 3. Your testimony chastised the Senate for "missing an important opportunity to improve our energy security by establishing and funding the Energy Security Trust." However, you oppose the FAIR Act (S.1273) because it adds to the federal deficit. Please explain how the Energy Security Trust will be funded. What are the offsets for this trust fund?

Answer. The President's proposed Energy Security Trust would set aside $2 billion over 10 years to support research into a range of cost-effective technologies, such as advanced vehicles that run on electricity, homegrown biofuels, fuel cells, and domestically produced natural gas. As noted at the hearing, the mandatory funds would be set aside from royalty revenues generated by oil and gas development in federal waters of the OCS. The Trust is paid for within the context of the overall budget. In the FY 2014 Budget, the Administration has offered a variety of mandatory savings proposals that could be used to offset the cost of this new mandatory proposal; this includes mandatory savings proposals associated with DOl programs as well as those from other agencies.

Question 4. To what extent are DOl personnel deployed temporarily or on a full-time basis overseas to support the development of offshore oil and gas resources outside the United States? Please include a full list of countries.

Answer. With the understanding that the term "deployment" means long-term stationing, the Department does not deploy personnel overseas to support the development of offshore oil and gas resources of other countries. As a leading natural resource and science agency of the United States, DOl conducts international activities to accomplish the Department's mission and support complementary U.S. foreign policy priorities. As part of these efforts, the DOl engages and collaborates with its international counterpatis to promote best practices for sustainable safety and environmental protection as well as to provide limited technical assistance regarding governance of energy resources in conjunction with the Department of State's (DOS) Energy Governance and Capacity Initiative. The DOS provides funding to support technical assistance conducted at its request.

RESPONSES OF PAMELA K. HAZE TO QUESTIONS FROM SENATOR JOHNSON

Question 1. Your testimony notes that the FAIR Act (S. 1273) would likely result in a reduction of more than $5 billion in deposits to the Treasury through 2022. In fact, CBO provided an initial estimate that the bill would increase direct spending by approximately $6 billion between 2015 and 2023. I share the Administration's concern about the impact such a substantial loss of revenue to the federal government, particularly as we are facing sequestration and substantial budget deficits. Though this loss of revenue would be felt across agencies, how do you foresee it impacting priorities within the Department of Interior? I am particularly interested in potential impacts to the Department in light of chronic underfunding of federal priorities like Indian education programs, BIA law enforcement and congressionally authorized rural water projects.

Answer. The reduction in revenue from the Treasury that would result from enactment of S. 1273 would most certainly increase the deficit and would exacerbate the pressure we already face to tighten budgets and spending in other areas throughout the government, which will impact all Federal programs, including those in the Department of the Interior.

Question 2. The FAIR Act eliminates the cap on revenues shared with Gulf Coast states after fiscal year 2025, which would dramatically increase the forgone revenue to the federal government. Can you provide additional detail on how much federal revenue would likely be lost each year after this cap is eliminated?

Answer. The significant number of assumptions required to calculate future revenue make it time consuming and difficult to accurately forecast lost revenue in the out years. However, by using past years of actual revenue generated from leasing activity on the Outer Continental Shelf, it is possible to get a general sense of how payments made to states under the current program and authorities might compare to payments under the program that would be put in place by S. 1273, excluding the cap on revenues.

Table 1: Fiscal Year Offshore Revenue Disbursements to States (Includes 8(g) and GOMESA Disbursements)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
AL	$13,291,991	$12,707,35[illegible]	$1[illegible]	$17,869,074	$13,5[illegible]	[illegible]	$16,552,498	$8,755,472	$7,077,938	$5,745,037
AK	$3,[illegible]	$7,245,906	$10,[illegible]	$11,294,551	$7,767,[illegible]82	$17,81[illegible]	$9,945,538	$5,600,829	$5,128,597	$2,190,756
CA	$3,635,490	$2,721,502	$4,488,189	$7,290,885	$6,797,065	$11,072,[illegible]	$6,278,830	$6,198,718	$7,740,329	$4,349,[illegible]
FL	$803	$1,486	$96	$1,389	$3,993	$63	$1,177	$1,[illegible]	$1,430	$1,389
LA	$2[illegible]	$18,750,480	$21,[illegible]	$32,971,970	$23,985,006	$45,763,306	$30,251,382	$27,490,577	$20,765,778	$19,066,140
[illegible]									$11,835	$25,832
MS	$401,570	$313,597	$1,076,483	$[illegible]	$[illegible]12,137	$569,066	$3,304,179	$[illegible]	$618,078	$214,120
TX	$14,932,736	$10,256,137	$10,[illegible]8,023	$13,521,[illegible]	$15,774,564	$10,[illegible]6,655	$8,579,185	$4,272,004	$7,394,062	$1,425,567
Total	$6[illegible]	$[illegible]	$72,[illegible]	$[illegible]	$[illegible]	$[illegible]03,552,436	$79,[illegible]	$49,516,[illegible]	$4[illegible]	$[illegible]

Table 2: Estimated Additional Offshore Revenue Shared under the FAIR Act by Fiscal Year

	Alaska	California	Alabama	Louisiana	Mississippi	Texas	Total
2003	$45,[illegible]	$3[illegible]	$1[illegible]2,782,[illegible]	$[illegible]	$203,689,[illegible]	$379,627,[illegible]	$1,[illegible]
2004	$946,372	$39,575,722	$175,723,047	$635,307,484	$188,[illegible]	$344,529,[illegible]	$1,[illegible]
2005	$9,562,[illegible]	$42,733,973	$201,[illegible]	$751,[illegible]	$224,[illegible]	$[illegible]	$1,[illegible]
2006	$960,752	$55,421,771	$23[illegible]	$[illegible]	$221,[illegible]	$[illegible]	$1,593,[illegible]
2007	$11,988,476	$53,567,734	$23[illegible]	$[illegible]	$256,[illegible]	$468,470,[illegible]	$1,[illegible]
2008	$7[illegible]	$[illegible]	$[illegible]	$2,[illegible]	$[illegible]	$1,212,[illegible]	$[illegible]
2009	$1,707,934	$[illegible]7,958,575	$21[illegible]451,345	$[illegible]	$227,716,830	$[illegible]	$1,[illegible]
2010	$7,[illegible]	$[illegible]	$[illegible]	$[illegible]	$[illegible]	$[illegible]	$[illegible]
2011	$[illegible]	$67,000,[illegible]	$[illegible]	$[illegible]	$[illegible]	$[illegible]	$[illegible]
2012	$2,154,908	$[illegible]	$241,[illegible]	$[illegible]	$260,[illegible]	$174,796,788	$[illegible]

Thus, under current law the states received $675.6 million during the period FY 2003-2012. Based on the terms of the FAIR Act, had the same program been fully in place at the time these payments were made, we estimate that the coastal states would have received an additional $20.8 billion in revenue sharing payments over same period (as noted in the table above).

To calculate these estimates, Interior made several assumptions, including:

- The figures do not presume which states might have established, pursuant to section 2(b), funds to support projects and activities relating to alternative or renewable energy, energy research and development, energy efficiency or conservation in order to receive an additional10 percent disbursement. Therefore, 27.5 percent was used for each state. If all benefiting coastal states established such funds, the state payment totals would likely be at least one-third higher than those listed above.
- The legislation has a $500 million payment cap beginning in 2014 and increasing by $100 million each year until 2025, after which there is no cap on this revenue sharing. The figures above do not presume a fixed dollar cap on payments, but provide a best approximation of the cost of revenue sharing once payments are fully phased in under S. 1273.
- The revenue sharing percentages for the four Gulf of Mexico states are based on current leases and may not reflect leases in place each year. Interior estimates that this could inflate Alabama and Mississippi shares by one or two percent.

Question 3. When Congress established the Land and Water Conservation Fund (LWCF) in 1965, there was a direct recognition that as oil and gas resources on the outer continental shelf are developed and depleted, a portion of revenue should be reinvested in conservation and public lands as a means of providing a lasting benefit to the American people. In my state and nationwide, LWCF has helped invest in public lands that provide new opportunities for sportsmen, anglers and other recreational users. LWCF has also helped keep working landscapes in agriculture while increasing important wildlife habitat. As the committee considers new mandatory commitments of revenue from the OCS, can you elaborate on how this legislation might impact the link between the development of these federal OCS resources with reinvestment in conservation?

Answer. The Administration strongly supports the LWCF and the core values it represents and agrees that a portion of the proceeds from the sale of these public assets should be reinvested in something of lasting value for all Americans in every state. The commitment for the Land and Water Conservation Fund, proposed by President Kennedy and enacted in 1964, is to use a portion of the proceeds from the development of our public lands and waters for investments in conservation and recreation.

Instead of strengthening LWCF as the Administration has proposed in the FY 2014 Budget, S. 1273 would weaken it. As noted in the testimony for this hearing, the Administration appreciates the implicit recognition that there is a connection between the OCS and LWCF, but S. 1273 limits the funding available for the LWCF state grants component available under current law, capping the existing mandatory allocation for these grants at $62.5 million per year.

As such, the bill is inconsistent with the President's budget request to establish mandatory dedicated funding for LWCF programs, with full funding at $900 million annually beginning in 2015. Enactment of a mandatory LWCF program is a central element of the President's conservation agenda that is designed to make investments in conservation and recreation for the American people to balance the development of oil and gas resources through the use of its proceeds.

Moving to reduce funding for this program also sets a precedent that could jeopardize continued funding for the program, which reduces landscape fragmentation, making it more efficient to protect wildlife habitat, respond to wildfires and other natural disasters, and increase recreational access on the lands and waters that belong to the public.

RESPONSES OF PAMELA K. HAZE TO QUESTIONS FROM SENATOR LANDRIEU

Question 1. Since 1932, Louisiana has lost 1900 square miles of coastal land, with the vast majority of the loss coming in the areas surrounding the mouth of the Mississippi and the population centers of New Orleans, Houma, Slidell and Lafayette.

- Do you think that this area is of great significance to all Americans, and that this coast is "a public asset" in which the Federal government should invest to provide lasting value for all Americans in every state? Or do you think that this land loss is just a problem for Louisiana to fix alone?
- If your answer is yes, that this is a public asset for all Americans, then can you tell me what the Administration's plan is for saving the Louisiana Delta? How much money is the Administration allocating to stop the coastal erosion and help rebuild the Delta, an effort which is estimated to cost over $50 billion over the coming decades?

Answer. Coastal Louisiana and Mississippi represents one of the nation's most dynamic, complex, and important aquatic ecosystems. The Administration recognizes the economic, cultural, and environmental importance of this region as well as the profound challenges it faces amid longstanding ecological decline. Conservation and restoration of resilient and healthy ecosystems in the Gulf of Mexico and surrounding regions is a national priority.

The FY 2014 President's Budget request includes $54 million for Gulf Coast ecosystem restoration for Interior programs, including the operation of Gulf Coast parks and refuges and work of the USGS. The parks and refuges in the region along with programs oriented to wetlands conservation and protection and coastal restoration are focused on addressing issues such as wetlands loss and protection of Gulf resources. USGS operates a state of the art wetlands laboratory in Louisiana that examines solutions and techniques to reduce wetlands loss.

In addition, there are significant resources that are allocated to the region in the form of revenue sharing, grants for sport fish and wildlife restoration, protection and conservation of wildlife and fisheries, payments in lieu of taxes to compensate local jurisdictions for the loss of tax revenue, and historic preservation, among others. In 2012 a total of $47 million was allocated to the State of Louisiana for these programs; $41 million to Alabama; $33 million to Florida; $18 million to Mississippi; and $72 million to Texas. We are not able to provide a breakdown of the amounts used or allocated to the Gulf Coast from these amounts. Louisiana is also positioned to receive over $1 billion in Gulf Coast restoration funding through a variety of mechanisms, including the Natural Resource Damage Assessment process, the RESTORE Act, and criminal and civil settlements with BP and Transocean stemming from the Deepwater Horizon incident.

Question 2. It seems to me that your testimony is a double standard with current law. Under the Mineral Leasing Act (MLA), states receive 50% of the revenues generated from energy production on Federal lands within their borders.

- Do you believe that the natural resources on Federal lands within states belong to all Americans?
- Do you think that these MLA payments to states reduce the net return to all taxpayers?

- Do you think sending nearly $2 billion a year back to MLA/interior states has significant long term costs to the Federal treasury?
- Do you think that that these payments to states increase the federal deficit?

Answer. The Administration is committed to ensuring that American taxpayers receive a fair return from the sale of public resources, regardless of whether those resources are on public lands within state boundaries or offshore on the federal Outer Continental Shelf. Congress passed the Mineral Leasing Act (MLA) -which is applicable to development of federal land in all states-in 1920, and Alaska's 90 percent share was also enacted many decades ago in a different environment and under significantly different circumstances. The MLA's legislative history indicates that the purpose of section 35 of the Act, which provides for the distribution of funds, was generally to provide compensation to states for the loss of tax revenue that would have been received from those lands, located within state boundaries, that prior to the passage of the MLA would have been eligible to pass into private ownership in fee. See 58 Cong. Rec. 7772-7774 (1919). This is not the case with lands on the federal Outer Continental Shelf, which are by definition, beyond and outside of any state boundaries.

Question 3. Your testimony highlights that one of the reasons the Administration cannot support the FAIR ACT is because "the bill does not appear to be targeted to achieve clear conservation or energy policy outcomes."

- Are you aware that under the Mineral Leasing Act, states can spend their share on essentially whatever they want, including public infrastructure, schools, hospitals and the like?

  —Do you consider these to be conservation or energy related purposes?

- Are you aware that under the Gulf of Mexico Energy Security Act (GOMESA), the legislation directs the revenues shared with the states to coastal restoration, hurricane protection and mitigation of natural resource damage?

  —Do you consider these purposes related to conservation or energy?

Answer. As noted in response to the previous question, mineral resource development on Federal lands onshore occurs within state boundaries, whereas OCS development occurs wholly outside of state boundaries. Also, Congress passed the Mineral Leasing Act in 1920 in a significantly different environment, under significantly different circumstances, and for different purposes—compensation to states for loss of tax revenue that would have otherwise been received from activity taking place within state boundaries.

Because the rationale for revenue sharing differs substantially between onshore and offshore lands, the expectation for how Federal revenues may be shared with states can also differ. Under the applicable revenue sharing provisions of GOMESA, Congress directed that all amounts received by states and political subdivisions be used for projects and activities for the purposes of coastal protection, including conservation, coastal restoration, hurricane protection, and infrastructure directly affected by coastal wetland losses; mitigation of damage to fish, wildlife, or natural resources; implementation of a federally-approved marine, coastal, or comprehensive conservation management plan; and mitigation of the impact of outer Continental Shelf activities through the funding of onshore infrastructure projects. The full scope of these funding categories is broad, and unlike Federal programs funded through LWCF, there is no enforcement mechanism to ensure that these funds are spent for the intended purposes. The FAIR Act appears to expand on GOMESA's general revenue sharing payments to certain coastal states, while limiting OCS revenues that would be dedicated to LWCF programs under GOMESA.

RESPONSES OF PAMELA K. HAZE TO QUESTIONS FROM SENATOR UDALL

Question 1. Are the funds provided to the states and local political subdivisions under GOMESA required for any specific purpose, such as environmental restoration?

Answer. Under section 105 of GOMESA, 50 percent of qualified Outer Continental Shelf revenues collected are to be deposited in the general fund of the Treasury, and the other 50 percent are to be disbursed as follows:

- 75 percent of the funds are provided to coastal producing states and their political subdivisions.
- The remaining 25 percent of those funds are to provide financial assistance to states in accordance with section 6 of the Land and Water Conservation Fund Act of 1965.

GOMESA specifies that the funds provided to coastal producing states and their political subdivisions are to be used only for:

—Projects and activities for the purposes of coastal protection, including conservation coastal restoration, hurricane protection, and infrastructure directly affected by coastal wetland losses;
—Mitigation of damage to fish, wildlife, or natural resources;
—Implementation of a federally-approved marine, coastal, or comprehensive conservation management plan;
—Mitigation of the impact of outer Continental Shelf activities through the funding of onshore infrastructure projects; or
—Limited planning assistance and certain administrative costs.

As noted in response to the previous question, the full scope of these funding categories is broad, and unlike federal programs funded through LWCF, there is no enforcement mechanism to ensure that these funds are spent for the intended purposes.

Question 2. Would you please provide a chart displaying the acreage in the Federal OCS adjacent to each producing coastal state and acreage of onshore public land in each state West of the lOOth meridian? Also, would you please provide a chart displaying total annual revenues resulting from OCS oil and gas development and production as well as the amount that would have been shared annually with the coastal states and political subdivisions as a result of oil and gas development and production, assuming the FAIR Act had been in place. Please provide this information for each of the 10 past years. This should help us better understand the impact of this legislation.

Answer. Leasing on the Outer Continental Shelf is authorized and carried out under the Outer Continental Shelf Lands Act. Because state boundaries do not extend beyond state waters, the Bureau of Ocean Energy Management considers the acreage in proximity to a producing coastal state by looking at the Planning Area that is otT a state's coast. Planning Areas are identified in the Five Year OCS Oil and Gas Leasing Program. The following chart shows the acreage by Planning Area, with adjacent coastal producing states, for those areas with active oil and gas leases, as well as the total acreage in each planning area under active lease:

Planning Area by Region with States	Total Acres	Acraage Under Active Oil/Gas Lease
Gulf of Mexico		
Western (Texas)	28,576,813	7,836,110
Central (Louisiana, Mississippi. Alabama)	66.446,351	23.599.657
Eastem (Alabama. Florida)	64.563,679	601,664
Pa.cific		
Southern California	89,028,609	241,023
Alaska		
Beaufort Sea	65,075,663	965,088
Chukchi Sea	62,594,455	2,604,658

Onshore, the Bureau of Land Management manages the public lands for multiple uses and sustained yield, which includes activities as varied as energy production, mineral development, livestock grazing, outdoor recreation, and the conservation of natural, historical, cultural, and other important resources.

In the following chart, the tenn Federal Mineral Lands refers to on-shore federal minerals that are part of the BLM's responsibilities to manage, and includes federal surface lands both in the public domain and acquired lands for all federal agencies, as well as subsurface federal mineral rights. The column to the right contains the acreage for each state under lease as of 12/5112.

Generally, for onshore lands the interested developer nominates land to be leased. Public lands are available for oil and gas leasing only after the nominated lands have been reviewed and evaluated for availability and suitability through the BLM's multiple use planning process prior to offering these lands at a competitive oil and gas lease sale.

State	Federal Mineral Lands	Acreage Under Oil/Gas Lease
Alaska	237,000,000	1,462,407
Arizona	35,800,000	27,927
California	47,500,000	245,118
Colorado	29,000,000	4,198,209
Hawaii	600,000	0
Idaho	36,500,000	7,355
Kansas	800,000	127,412
Montana	37,800,000	3,002,601
Nebraska	700,000	9,842
Nevada	58,700,000	3,847,096
New Mexico	36,000,000	5,027,750
North Dakota	5,600,000	1,028,533
Oklahoma	2,300,000	330,461
Oregon	33,900,000	242,906
South Dakota	3,700,000	157,539
Texas	4,500,000	377,454
Utah	35,200,000	4,213,384
Washington	12,500,000	79,537
Wyoming	41,600,000	11,527,320

The significant number of assumptions required to calculate future revenue make it time consuming and difficult to accurately forecast lost revenue in the out years. However, by using past years of actual revenue generated from leasing activity on the Outer Continental Shelf, it is possible to get a general sense of how payments made to states under the current program and authorities might compare to payments under the program that would be put in place by S. 1273, excluding the cap on revenues.

The tables below provide mmual OCS reported revenues, annual OCS revenue disbursements to states, and estimates for the amounts that would have been shared annually with states assuming the FAIR Act had been in place.

OFFSHORE REVENUES (BY FISCAL YEAR)

	Alaska Region	Gulf of Mexico	Pacific Region	Atlantic Region	Total
2003	$15,682,620	$5,766,645,269	$151,572,121	$0	$5,933,906,009
2004	$34,340,202	$5,150,938,577	$162,586,855	$0	$5,348,065,634
2005	$81,298,025	$6,855,458,977	$188,356,068	$0	$6,725,113,649
2006	$44,944,265	$7,303,197,796	$259,526,419	$0	$7,606,768,478
2007	$71,048,988	$6,706,398,060	$241,361,592	$0	$7,019,308,640
2008	$2,729,740,411	$14,902,581,558	$402,308,445	$0	$18,044,630,414
2009	$35,826,608	$5,573,733,090	$2[illegible]0,118,305	$0	$5,819,678,113
2010	$29,678,735	$4,955,952,519	$268,458,742	$68,320	$5,254,161,316
2011	$22,212,400	$6,318,838,306	$296,604,258	$186,488	$6,638,541,451
2012	$19,990,541	$6,539,436,869	$303,210,238	$211,763	$6,862,960,911

FISCAL YEAR OFFSHORE REVENUE DISBURSEMENTS TO STATES (INCLUDES 8(G) AND GOMESA DISBURSEMENTS)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
AK	$1[illegible]	$13,707,951	$14,619,811	$17,[illegible]	$13,310,125	$1[illegible]	$15,533,498	$8,765,425	$[illegible]977,108	$3,795,0[illegible]
AL	$3,732,695	$7,245,506	$1[illegible]	$11,294,531	$[illegible]	$17,8[illegible]	$9[illegible]	$[illegible]	$5,128,697	$3,100,736
CA	$[illegible]626,470	$2,791,502	$4,488,189	$7,250,835	$6,[illegible]	$1[illegible],072,502	$6,978,85[illegible]	$6,388,718	$7,299,129	$5,543,266
FL	$803	$1,436	$96	$1,369	$1,593	$83	$1,773	$1,489	$1,436	$1,349
LA	$29,5[illegible]	$38,256,452	$30,[illegible]445	$52,071,8[illegible]	$23,088,706	$4[illegible]396	$50,2[illegible]382	$23,480,1[illegible]	$2[illegible]278	$25,866,310
[illegible]									$33,855	$2[illegible]
MS	$430,579	$518,591	$1,024,463	$543,749	$712,1[illegible]	$564,068	$7,334,179	$1,026,701	$416,038	$211,120
TX	$14,753,[illegible]	$13,25[illegible]57	$[illegible]418,[illegible]23	$13,3[illegible]468	$15,[illegible]130	$13,3[illegible]658	$8,82[illegible]	$4,392,004	$2,0[illegible]	$[illegible]42[illegible]362
Total	$65,469,464	$35,736,[illegible]71	$72,3[illegible]328	$82,354,873	$67,65[illegible]	$105,332,428	$79,80[illegible]509	$49,5[illegible]293	$41,85[illegible]457	$38,972,094

ESTIMATED ADDITIONAL OFFSHORE REVENUE SHARED UNDER THE FAIR ACT BY FISCAL YEAR

	Alaska	California	Alabama	Louisiana	Mississippi	Texas	Total
2003	$49,504	$32,40[illegible],693	$193,782,137	$700,598,040	$208,668,778	$379,6[illegible]7,846	$1,515,140,3[illegible]
2004	$986,372	$39,371,722	$175,72[illegible],547	$6[illegible]107,484	$189,2[illegible]0,337	$514,[illegible],381	$1,365,[illegible]040
2005	$9,582,738	$42,733,973	$208,686,955	$754,483,605	$224,739,707	$410,[illegible]150	$1,[illegible]223
2006	$300,752	$39,423,7[illegible]	$252,274,921	$912,[illegible],859	$271,680,681	$497,362,983	$1,99[illegible]090
2007	$1[illegible]980,496	$33,162,734	$237,999,[illegible]9	$86[illegible]460,26[illegible]	$226,507,31[illegible]	$458,42[illegible]	$1,838,332,756
2008	$733,437,902	$87,555,133	$6[illegible]765,32[illegible]	$2,208,151,547	$637,747,369	$1,212,670,393	$5,510,129,624
2009	$1,[illegible]02,554	$47,958,576	$211,451,342	$764,4[illegible]029	$227,716,8[illegible]	$414,205,947	$1,6[illegible]515,[illegible]87
2010	$2,[illegible]978	$60,838,524	$186,875,007	$675,678,611	$2[illegible]251,385	$354,644,145	$1,491,485,391
2011	$839,845	$67,902,972	$221,209,377	$799,756,979	$238,225,485	$432,9[illegible]163	$1,761,[illegible]2,829
2012	$2,[illegible]54,908	$66,[illegible]435	$24[illegible]300,117	$873,[illegible]806	$260,077,0[illegible]	$474,590,788	$1,918,250,[illegible]

To calculate these estimates, Interior made several assumptions, including:

- Sec. 2(b) revenue sharing—the figures do not presume which states might have established funds to support projects and activities relating to alternative or renewable energy, energy research and development, energy efficiency or conservation in order to receive an additional 10 percent disbursement. Therefore, 27.5 percent was used for each state.
- The legislation has a $500 million payment cap beginning in 2014 and increasing by $100 million each year until 2025, after which there is no cap on this revenue sharing. The figures above do not presume a fixed dollar cap on payments, but provide a best approximation of the cost of revenue sharing once payments are fully phased in under S. 1273.

The revenue sharing percentages for the four Gulf of Mexico states are based on current leases and may not reflect leases in place each year. Interior estimates that this could inflate Alabama and Mississippi shares by a percent or two.

Question 3. The supporters of this legislation correctly note that states within whose exterior boundaries federal lands are located get a higher percentage of mineral leasing revenues than states with oil and gas leasing and production in adjacent Outer Continental Shelf areas. Is there a legal or historical justification for this disparity? If so, please explain.

Answer. The legislative history of the Mineral Leasing Act of 1920 indicates that the purpose of section 35 of the Act, which provides for the distribution of funds generated from oil and gas leasing, was generally to provide compensation to states for the loss of tax revenue that would have been received from those lands, located within state boundaries, that prior to the passage of the leasing Act would have been eligible to pass into private ownership in fee. See 58 Cong. Rec. 7772-7774 (1919). As noted in the Department's testimony for this hearing, title and ownership ofthe federal seabed within 3 nautical miles ofthe shore (except Texas and western Florida, where it is 9 nautical miles), along with right to manage all of the natural resources within those boundaries, was given by Congress to coastal states with passage of the Submerged Lands Act. Lands on the federal OCS beyond that boundary have remained under federal jurisdiction and are managed by the Department of the Interior for the benefit of all Americans.

Question 4. I have several questions about the revenues that are expected to be shared with the coastal states and local political subdivisions and the Land and Water Conservation Fund (LWCF) under S. 1723 and under current law, the Gulf of Mexico Energy Security Act of 2006 (GOMESA). Do you have any estimates of the total cost to the Federal Treasury over the next 40 years if S. 1273 is enacted as currently drafted?

- Do you have estimates of how much each state will receive in revenue sharing over the next 40 years under S. 1273?
- How much is each state expected to receive over the next 40 years in revenue sharing under GOMESA?
- How much is the LWCF expected to receive under S. 1273?
- How much is the LWCF expected to receive under GOMESA?
- How much are local political subdivisions expected to receive over the next 40 years under S. 1273?
- How much are local political subdivisions expected to receive over the next 40 years under GOMESA?

Answer. The Department's preliminary calculations show that the legislation would likely result in a reduction of more than $5 billion in deposits to the Treasury through 2022, and the rate of reduction in deposits would dramatically increase thereafter. Similarly, the Congressional Budget Office's preliminary calculations, released shortly before the hearing, estimate that if enacted the legislation would increase direct spending by approximately $6 billion over the 2015-2023 period.

The significant number of assumptions required to calculate future revenues make it time consuming and difficult to accurately forecast revenue disbursements in the out years for either states or local political subdivisions. However, as noted in the response to question 2 above, by using the past ten years of actual revenue generated from leasing activity on the Outer Continental Shelf, it is possible to compare payments made to states under the current program and authorities with the program that would be put in place by S. 1273, excluding the cap on revenues.

With regard to funding for the Land and Water Conservation Fund (LWCF), the Administration strongly supports the LWCF and the core values it represents and agrees that a portion of the proceeds from the sale of these public assets should be reinvested in something of lasting value for all Americans in every state. The commitment for the Land and Water Conservation Fund, proposed by President Kennedy and enacted in 1964, is to use a portion of the proceeds from the development of our public lands and waters for investments in conservation and recreation.

Instead of strengthening LWCF as the Administration has proposed in the FY 2014 Budget, S. 1273 would actually weaken it. As noted in the testimony for this hearing, the Administration appreciates the implicit recognition that there is a connection between the OCS and LWCF, but S. 1273 limits the funding available for the LWCF state grants component available under current law, capping the existing mandatory allocation for these grants at $62.5 million per year.

As such, the bill is inconsistent with the President's budget request to establish mandatory dedicated funding for LWCF programs, with full funding at $900 million annually beginning in 2015. Enactment of a mandatory LWCF program is a central element of the President's conservation agenda that is designed to make investments in conservation and recreation for the American people to balance the development of oil and gas resources through the use of its proceeds.

Moving to reduce funding for this program also sets a precedent that could jeopardize continued funding for the program, which reduces landscape fragmentation, making it more efficient to protect wildlife habitat, respond to wildfires and other natural disasters, and increase recreational access on the lands and waters that belong to the public.

Question 5. Is it the position of the Administration that any legislation providing for dedicated funding for the LWCF should fund the Federal side of LWCF as well as the State side of the LWCF?

Answer. Yes, the Administration's proposal would permanently authorize annual funding for the LWCF for the Department of the Interior and Department of Agriculture. The budget proposes $600 million in total LWCF funding in 2014, with $200 million in discretionary funds and $400 million in mandatory funding. Beginning in 2015, the LWCF would be fully funded with mandatory funds at $900 million each year. The program balances the allocation of these funds for Federal acquisition and State grants.

RESPONSES OF RYAN ALEXANDER TO QUESTIONS FROM SENATOR MURKOWSKI

Question 1. You have stated that revenues from development on the Outer Continental Shelf should be deposited directly into the federal treasury because the federal government manages activities in those waters, not the states. However, the states and local communities bear the costs of supporting this development. Why should they be forced to put forth great sums of money to support development in federal waters and share the risk of an oil spill or other emergency and not share in a portion of the revenues?

Answer. As stated in Taxpayers for Common Sense testimony, federal taxpayers are due the royalties derived from leases operating in federal waters because those waters are administered, protected, and managed by federal—not state—agencies at a cost to federal taxpayers. Federal taxpayers fund the agencies charged with royalty collection and lease regulations. States may pay for additional infrastructure for oil and gas development, but also benefit from increased jobs and economic development associated with any land based activity associated with the offshore development. Other federal assistance through education, transportation and other federal programs is available to these communities, as it is to any other community across the country.

Additionally, your question correctly points out that the states will "share" in the risks of an oil spill or emergency. Federal waters are 6 or more miles from the state's coastline, therefore the impacts of any spill or accident will likely have implications for multiple states, or countries and place great burden and liability on the federal taxpayer. Further, in the event of an offshore accident federal assistance would be available, as with any other major disaster declaration.

State waters are closer to the shoreline and royalties derived from that drilling are and should continue to be directed back to the applicable state.

Question 2. You indicated your opposition to the FAIR Act (S.1273) is due, at least in part, to the lack of an offset. Senator Landrieu and I have committed to finding offsets for this bill. Does this change your position on the bill? If not, why not?

Answer. Taxpayers for Common Sense is concerned with the budget impacts of S. 1273, especially given it has no current offset, making its budget implications particularly egregious. But the passage of S. 1273 would have far-reaching, negative implications for the federal taxpayer over the long-term with or without an offset. Since the bill fundamentally alters the federal-state revenue sharing provisions for drilling activities in federal waters, taxpayers will lose billions of dollars in future revenues—revenue that under existing law would be directed to the U.S. Treasury to the benefit of the entire nation, not solely a handful of coastal states. Most offsets are for ten years, whereas this cost-sharing change would be made permanent.

Furthermore, the country is facing a roughly $650 billion deficit this year and large estimated deficits for many years to come. Any offset identified would be better "spent" reducing this deficit and relieving pressure on the debt rather than enabling federal royalty revenue to be redirected to the states.

RESPONSES OF RYAN ALEXANDER TO QUESTIONS FROM SENATOR LANDRIEU

Question 1. As you know, the purpose of this hearing is to shed light on the inequities that exists between the Federal government's partnership with inland states, and the lack of partnership with coastal states that also produce much needed energy for this country. Your testimony indicates that you are against revenue sharing for coastal states that produce energy from Federal waters, and advocate for the repeal of GOMESA.

- Do you also advocate for the repeal of the revenue sharing portion of the Mineral Leasing Act? If not, why not?
  - —If your answer talks about the impacts that these states suffer from this energy production, do you not believe that coastal states also suffer from energy production offshore?

Answer. At this time, Taxpayers for Common Sense is not actively advocating for a repeal of the current onshore revenue sharing provisions, but we would actively oppose the increase of the current share to the states, and would likely support any legislative effort to increase the federal royalty share for onshore extraction.

However, it is important to note that drilling for oil and gas in offshore federal waters does not occur in any one state, unlike drilling on federal lands within state boundaries. Impacts to land, air, and water for the surrounding local communities for onshore development are very different than for offshore development in federal waters. The impacts of offshore development in federal waters on the nearest state are much more dispersed and the risk of harm is shared with nearby states and any accident would bear national implications for federal taxpayers.

Question 2. As you know, OCS receipts are approximately $7 billion a year, and could grow with increased access and production. Most of all this revenue is generated in the Gulf of Mexico. At the same time, the U.S. spent $327 billion on oil imports in 2011. If the U.S. had to make up for the GOM OCS production, we would then have an additional $53 billion a year that this country would have to spend on oil imports, instead of the $7 billion a year our Federal treasury receives from this production (and this is just in royalties, bonus bids and rentals).

- Do you think it is wiser to continue to spend hundreds of billions of dollars on importing oil instead of producing it domestically? Or do you think it is not so "short-sighted" to enhance the Federal government coffers by partnering with willing coastal states to produce this energy while also providing them a percentage of the revenues generated for hosting the production?

Answer. Natural resources derived from federal lands and waters can and do provide great benefit to the entire nation. In addition to their end use and overall domestic economic benefit, their extraction provides valuable revenue to federal coffers, with the potential to provide much more.

Taxpayers for Common Sense is not opposed to offshore drilling in federal waters. But additional federal resources derived from new drilling in federal waters must go to federal taxpayers, the rightful owners of those resources. We believe with proper taxpayer safeguards and the application of fair market royalties, federal resources can and must be used to meet our nation's energy, transportation, and mineral needs. Determining whether it is in the national interest to drill should include an evaluation of offshore resources and potential income, and also potential long-term liabilities.

Taxpayers for Common Sense does not believe providing new subsidies for coastal states is an appropriate use of federal OCS royalty revenues, regardless of whether that subsidy is to entice states to provide access for offshore drilling, or simply lining the coffers of states that already allow access. Oil and gas development offshore in federal waters should occur based on a variety of long-term factors, but not based on redirecting money from the federal treasury.

Thank you again for seeking our input on the FAIR Act.

Response of Charlotte Brower to Question From Senator Murkowski

Question 1. What are priority projects for the borough should revenue sharing for Alaska be established?

Answer. The top priority project for the North Slope Borough is to construct a large sea wall to protect the community of Barrow and its critical infrastructure from storm surge and coastal erosion.

In addition to the Barrow sea wall project, the Borough would direct additional resources towards:

- Upgrading the Wainwright Airport to support increased air traffic;
- Building and upgrading existing utility systems for power generation and water and sewage treatment;
- Constructing small harbor and port facilities capable of servicing and supporting oil spill response and other vessels in Barrow, Wainwright, and Point Lay;
- Bringing in fiber optic, broadband communication lines to North Slope communities;
- Bolstering North Slope Borough Search and Rescue capabilities;
- Monitoring and other scientific programs relating to Arctic species, ecosystems, etc.;
- Coastal erosion mitigation projects in all affected North Slope Communities; and,
- Health impact studies and monitoring programs.

Response of Randall Luthi to Question From Senator Murkowski

Question 1. Please provide some examples of onshore-based infrastructure, services and other needs that are necessary to support the offshore oil and gas industry.

Answer. Where offshore energy development occurs, there is a natural demand for services onshore to support offshore activity, including the thousands of people who work offshore. In fact, for example, along the Gulf Coast where nearly all domestic offshore energy development occurs, much of the economic impact in coastal communities is created through the oilfield services and maritime industries that support offshore energy activity.

The offshore industry and individual businesses contribute hundreds of millions of dollars and countless services to local communities, primarily through an enhanced local tax base and direct and indirect jobs created throughout the community. These jobs are not simply "oil and gas" jobs, but also involve businesses including, but not limited to, caterers, real estate development, transportation services, vessel and parts manufacturing and fabrication, and ship repair.

As a case in point, Lafourche Parish in southeast Louisiana supports about 90% of the deepwater Gulf of Mexico offshore activity. This region is home to some of the most critical infrastructure that services a large portion of our domestic energy supply, most notably Port Fourchon and the Louisiana Highway 1 (LA1) energy corridor. In this particular region, in order to support offshore activity, a need has developed over the decades for additional service ports, processing facilities, highway infrastructure, fueling stations, and general community services related to housing, health care and education. In many instances, these enhanced community assets and services would not be available were it not for the offshore industry's presence.

RESPONSE OF RANDALL LUTHI TO QUESTION FROM SENATOR LANDRIEU

Question 1. Thank you for agreeing to testify today. Your association represents not only the oil and gas offshore industry, but also the offshore renewable industry. I agree with you that we should produce as much energy here at home that we can and that we should look to opening more access to places that are willing to host energy production, whether it is production of traditional energy or alternative energy.

As you well know, the Department of Interior releases information on what technically recoverable resources exist in the OCS. Is it your recollection that when DOI releases these estimates that they decrease each time, or do they actually increase? If they increase, can you please to why you believe they increase? Also, do you expect the GOM OCS to continue to be a large producer of this nation's energy in the next decade?

Answer. The Department of Interior periodically releases resource estimates based on currently available data and currently available technology. As we have seen time and again over the past few decades, these estimates have been significantly surpassed based on updated data and continually advanced and new technology. As an example, in the mid 1980's, it was estimated that 9 billion barrels of oil existed in the Gulf; that projection now stands at approximately 48 billion barrels, which is roughly a 500% increase.

Similarly, this problem of underestimated resource projections exists for other, non-offshore related resources as well. U.S. oil "reserves", as deemed by the federal government, were estimated to be 20 billion barrels in in the 1940's, whereas we have produced, and in fact consumed, over 167 billion barrels over that period of time. The reason for this discrepancy lies in the fact that the term "reserves" includes only those resources that have already been discovered on lands and waters that are available to access at that given point in time, and based on the technology and the prices at that particular time.

Right now, the federal government estimates that about 3.3 billion barrels of oil and approximately 31.3 trillion cubic feet of natural gas exist off the East Coast United States. These estimates are based on 1980's data. Based on historical trends in the Gulf and also the development boom that has occurred within interior states, one could extrapolate those experiences to expect that much more will actually be found and produced in the Atlantic.

As I mentioned earlier, a critical part of the equation in energy exploration and development is ascertaining current data based on current technology to assess what resources lay below the surface. Conducting seismic analysis is key to discovering the potential of untapped resources, and it has been nearly two generations since seismic testing was last conducted along our eastern seaboard. The significant technological advances that have occurred since those last seismic studies were conducted have made those previous resource estimates essentially irrelevant. While seismic data is necessary for collecting new information about the existence and extent of our energy resources, and while it is imperative that we move forward in collecting that data in a timely manner, the only true barometer for the potential of these resources is actual exploration and production. In the case of the Gulf of Mexico and also onshore, the actual amount of oil and natural gas produced from these lands has far exceeded our estimates many times over.

In my opinion, based on current trends related to technological advancements and increasingly effective and efficient extraction techniques such as directional drilling, I would expect the resource estimates to continue to increase in both the Gulf of Mexico region, as well as those estimates attributed to the Atlantic.

RESPONSES OF ATHAN MANUEL TO QUESTIONS FROM SENATOR MURKOWSKI

Question 1. Are there any changes that could be made to the FAIR Act (S.1273) to obtain your support?

Answer. No, the Sierra Club strongly opposes revenue sharing from new off shore oil and gas drilling, and incentives to expand off shore drilling.

Question 2. You testified about the importance of "empowering local communities to control development in their coastal areas." Doesn't the FAIR Act (S.1273) provide this type of empowerment by providing a steady source of income to coastal communities to respond to infrastructure and other community needs?

Answer. We do not think the FAIR Act empowers local communities. Instead, the bill provides financial incentives for new drilling, drilling that will negatively impact coastal economies and ecosystems. At the hearing even supporters of the FAIR Act acknowledged that coastal states should be compensated for bearing the burden and negative impacts of offshore drilling (I am paraphrasing; that is not meant to be a direct or attributed quote from a specific Senator).

Question 3. You testified that additional oil and gas development will do little to lower gas prices. However, according to the Energy Information Administration, 5 years ago, when domestic production was lower than it is today and oil prices were much higher ($147/barrel), the price of gasoline averaged $4.16/gallon. Today, production is way up, oil prices are much lower ($106/barrel), and the price of gasoline averages about $3.63/gallon. How do you square EIA's data with your testimony?

Answer. The World Energy Outlook 2012 by the EIA estimates that even if the U.S. becomes energy independent the price of oil—and therefore gasoline—will continue to be set worldwide. As a result increased off shore drilling is unlikely to reduce gas prices in the U.S. Where the oil is produced does not impact price. For instance, Alaska produces millions of barrels of oil a year but Alaskans do not pay less for gasoline.

Finally, five years ago the price of gas spiked due to a number of global and local factors. Since 2011, prices have been relatively steady and high, between $3 and $3.50 a gallon, even as domestic production has risen.

RESPONSES OF ATHAN MANUEL TO QUESTIONS FROM SENATOR LANDRIEU

Question 1. You highlight in your testimony that coastal waters in the OCS belong to all Americans. I agree.

- Do you agree that all Federal lands onshore belong to all Americans? And if yes, what is the difference between Federal lands onshore vs. Federal lands offshore?
- Onshore states enjoy what could be termed a partnership with the Federal government to produce our nation's natural resources. Do you believe that states that help our nation extract our offshore natural resources deserve a similar partnership? Why or why not? If not, why are they less deserving?

Answer. Federal lands onshore belong to all Americans, and they share in the revenue generated by natural resource development since 50 percent goes to the federal government (with the exception of Alaska; they benefit from a double standard whereas the state receives 90 percent of the revenue from activity on federal lands there).

The current 50-50 split between the states and federal government is mandated by Section 317 of the Federal Land Policy and Management Act of 1976 (FLPMA). In addition to establishing that revenue split, FLPMA expanded the scope of The Wilderness Act and Sierra Club supported the legislation. I cannot determine, however, if we took a specific position on Section 317 (we are checking our archives and will get back to you if we find any information regarding our position on Section 317).

Regarding the Outer Continental Shelf, the Sierra Club agrees with the Supreme Court that due to the essential role in commerce and national security, the Federal government and Congress should determine what happens with revenue and "resources of the soil under that water area, including oil." Americans can and should influence coastal policy by petitioning and lobbying state and local elected officials, the federal government and their elected representatives in Congress, something the Sierra Club has been doing for more than 125 years. And coastal states do control what happens in the first 3—or 9 in the Gulf—miles off their state.

Finally, off shore states do enjoy a partnership with the Federal government via the Coastal Zone Management Act which provides states with resources and expertise to better understand and influence state and federal development proposals. Once again, Alaska is the exception since Governor Parnell and the Alaska Legislature did not renew the Alaska Coastal Management Program.

Question 2. Your organization supports offshore wind development.

- Do you believe that states that host this offshore wind development should receive a portion of the revenues generated from this production?
- Do you think that states should have a choice or a say in whether they can develop energy resources, whether oil or wind, off their shores?

Answer. As I mentioned is my testimony, the Sierra Club sees all of our future energy decisions under the umbrella of fighting climate disruption. Therefore, we do support incentives for off shore wind and other clean energy programs that do not contribute to climate change or keep our nation dependent on fossil fuels. We support financial incentives for clean energy development, but oppose incentives for new drilling such as revenue sharing and support the repeal of tax breaks and subsidies for the oil and gas industry. The Sierra Club's position is that the development of off shore renewables such as wind power is the best way to protect local coastal economies and ecosystems from the pollution and risks associated with off shore drilling, and create local, clean energy jobs.

Question 3. You state in your testimony that oil and gas development is "dirty" and you insinuate that you wish the U.S. would end all offshore oil and gas development.

- The National Academy of Sciences estimates that a negligible amount of oil found in our waters can be attributed to oil spillage related to production-typically less than 1% average per year. Further, they estimate that roughly 63% of oil found in our waters results from natural seepage, and 4% from tankage. Since failing to produce oil off our shore would increase oil imports, largely reliant on tankers, this would certainly result in a good deal more oil in our oceans. Wouldn't it follow that, given the inflexibility of demand, producing oil domestically is in fact the more ecologically sensitive option?

Answer. According to the CRS Report "Oil Spills in U.S. Coastal Waters: Background, Governance, and Issues," while underwater seeps of oil account for almost two thirds of the oil in U.S. waters, the releases occur very slowly and are widely dispersed. These natural seeps have occurred for many years, and therefore plants and animals have adapted to the low concentrations of oil. Since the ecosystems have adapted to the gradual seepage, they are able to grow and thrive in these areas.

By comparison, the spills caused by the Deepwater Horizon were much, much larger and as you know severely damaged coastal economies and ecosystems in the Gulf. Unlike oil from natural seepage, spills from platforms, pipelines, tankers and transportation barges occur in much higher concentrations. The increased concentration of pollutants from spills caused by petroleum extraction and transportation can severely harm wildlife, habitat, and coastal ecosystems. This elevated concentration of oil can cause even the smallest spill to devastate a fragile underwater community.

Finally, regarding tankers and imports, the Sierra Club sees demand for imported oil decreasing thanks to a number of factors, primarily the new fuel economy standards for cars and light trucks announced by the Obama Administration last year.

Question 4. Are you aware that almost 1.4 million barrels of oil a day are produced offshore in the Gulf of Mexico OCS-representing roughly 27% of our domestic oil production and 15% of our domestic natural gas production? Are you aware that the U.S. produces more in the GOM OCS than we import from Saudi Arabia, second behind Canada in U.S. crude oil imports.

- If this production goes away, where, in your opinion, where should the U.S. get this energy from?

Answer. The Sierra Club is not lobbying to end off shore drilling where it already occurs, in the central and western Gulf and off the coast of southern California. However, we do oppose the expansion of drilling into areas that are currently undeveloped or un-leased (the Arctic Ocean, the eastern Gulf of Mexico, the Atlantic and Pacific).

As stated in our testimony, the Sierra Club strongly feels that the best place to create new domestic energy jobs, and clean sources of energy, is by focusing on renewable energy and energy efficiency. The National Renewable Energy Laboratory (NREL) found that renewable energy sources, like wind and solar, could provide 80 percent of our electricity by 2050. Wind power was the fastest growing source of U.S. energy in 2012.

Question 5. I finally want to clear up a portion of your testimony that I think is misleading regarding the LWCF. Your testimony states that ONLY $62.5 million is directed to the LWCF from offshore OCS receipts under the FAIR ACT. The FAIR

ACT directs a mandatory $62.5 million a year to the stateside of the Fund, which is more than the $42.2 million sent last year. $900 million of offshore OCS receipts already goes into the LWCF, but these are discretionary funds, meaning that Congress still has to appropriate these funds. The FAIR ACT funds are in addition to the discretionary funds. I have heard from many LWCF advocates over the years who beg for a mandatory stream of revenues into the LWCF.

- Your testimony states that funding for the LWCF should be funded independently of a revenue sharing program. As such, it is the position of the Sierra Club that the LWCF should not be funded by a mandatory OCS revenue sharing program?

Answer. Thank you for the information regarding the additional funding to LWCF from the FAIR Act. However, the Sierra Club does not support linking LWCF funding with the kind of new revenue sharing included in the FAIR Act. We support having Congress allocate the full $900 million funding for LWCF from the receipts collected from existing oil and gas drilling.

Appendix II

Additional Material Submitted for the Record

Statement from John Barry

My name is John Barry. I want to thank the committee for the opportunity to submit this statement.

I'm speaking only for myself but would like to note that, while I make my living as an author, I am Vice President of the Southeast Louisiana Flood Protection Authority East, which is responsible for protecting most of metropolitan New Orleans. I serve on numerous advisory committees including at MIT's Center for Engineering Systems Fundamentals and the Johns Hopkins Bloomberg School of Public Health's Center for Refugees and Disaster Relief, have advised the United Nations and the World Health Organization on disasters, an adjunct professor at the Tulane School of Public Health and Tropical medicine, and my work has been honored three times by the National Academies of Science.

This is not a partisan issue. After Hurricane Katrina, questions were raised whether it made sense to rebuild New Orleans. Newt Gingrich and I co-authored a response in Time Magazine, stating, "The most tough-minded answer to that question demonstrates that rebuilding and protecting New Orleans is in the national interest."

We made that judgment because if further investment is not made—and this statement is as true today as it was when we made it—coastal erosion will continue, and it will threaten the nation's ability to produce and refine oil, it will threaten the existence of Louisiana ports, which in turn threatens America's international competitiveness—18 percent of all domestic shipping passes through Louisiana waters, while 20% of all exports and 60% of grain exports go down the Mississippi River—and, since well over 90% of all commercial fish species in the Gulf depend on Louisiana's coast for some part of their life cycle, it will threaten the very existence of the great fishery which is the Gulf of Mexico.

To protect the national interest, in that article Speaker Gingrich and I called for passage of a law which gave Gulf states the same share of royalties from off-shore oil and gas revenue in Louisiana waters that inland states get from mineral production on federal land within their borders. A law did pass, but it gave the Gulf, and Louisiana in particular, not even close to half a loaf. In effect, Gulf states got one slice of bread to split between them, while inland states with producing land continue to get an entire loaf each.

Now, seven years later, Senator Landrieu has introduced legislation to fix this, to treat Gulf states the same way the federal government treats inland states. This legislation is in the national interest now, just as it was before.

Inland states have justified their receipt of 50% of the revenues paid to the federal government for oil, gas and coal produced on federally-owned land within their borders by arguing that the extraction of these resources puts strains on their infrastructure and environment, and they need compensation for that burden.

No part of the United States—indeed, no part of the developed world—has suffered as much environmental damage because of the extraction of natural resources as Louisiana. Since the 1930s, the state has lost 1900 square miles of coastal land, roughly the area of Delaware, with most of that land loss occurring in recent decades. That coastal land served as a buffer against hurricane storm surge. Without it, populated areas along the coast from Lake Charles, near the Texas border, to New Orleans and Slidell, near the Mississippi border, are much more vulnerable to hurricanes than they used to be. The lost land once provided a natural buffer between people and the sea; its disappearance has increased the danger to lives and property on the coast.

There are multiple causes of that loss. For example, just six dams in Montana, North Dakota, and South Dakota—built entirely with federal dollars for hydroelectric power, flood protection, and irrigation—have caused a 30% decline in the amount of sediment the Mississippi River carries, and that sediment loss makes it much more difficult to keep coastal Louisiana healthy and protected from hurricanes.

But one of the most important causes of the land loss is oil and gas exploration and production. There are two chief ways in which oil and gas production has led to destruction of the Louisiana coast. First, so much volume has been extracted from some inland areas that the surface has literally sunk; sometimes the surface has even been covered by water, in effect drowning it. In addition, to service oil and gas exploration and production the industry dredged more than 10,000 miles of canals through coastal Louisiana and left 13,000 miles of spoil banks. Every inch of those 10,000-plus miles lets salt water penetrate into and eat away at the marsh, while the spoil banks interfere with natural hydrology.

Not all land loss can be directly tied to a cause, but according to a study by the Mineral Management Service—a federal agency considered so cozy with the oil and gas industry that it was effectively dissolved—the energy industry is responsible for 59% of the loss which can be directly attributed to a cause. No one, not the old Mineral Management Service and not industry scientists, disputes that the energy industry is responsible for a significant share of the destruction of coastal Louisiana.

It is only fair then that oil revenues be used to protect Louisiana's land and people. Louisiana, alone among states, has passed a state constitutional amendment guaranteeing that its share of revenue from the Outer Continental Shelf oil and gas production to restoring and protecting its coast. Its Coastal Protection and Restoration Authority, on which I sit, has produced a Master Plan which passed the state legislature unanimously and which has been widely praised by the scientific community and even held up as a model for others to emulate. One reason for the praise is that it makes clear that the state is prepared to make difficult choices, that not everyone's home or community can be preserved—much less protected—and that we cannot even save the existing coast line.

But the Master Plan is also the state's last best hope to have any chance of maintaining a viable coast. It is the country's last best hope to protect all the benefits it gets from the region, from oil refining and production to the port system. And even with all the sacrifices the state is prepared to make, the plan still costs $50 billion over the next 50 years.

No funding stream exists to carry out this plan. The BP spill will generate enough money to start the process, but there is nothing now extant to do more than that.

The FAIR Act will do that. It will properly send money from oil and gas production to Gulf states and give Louisiana—and the nation—a fighting chance to preserve its coast, with all the national benefits that go with it.

The FAIR Act calls for nothing more than that the federal government to treat all American citizens the same way. I support the FAIR act. And so should any fair-minded person, so should every person who believes in protecting the national interest, and so should every person who believes that we make our own future.

Thank you.

GREATER LAFOURCHE PORT COMMISSION,
Port Fourchon, LA, July 23, 2013.

Hon. RON WYDEN,
Chairman, U.S. Senate, Committee on Energy and Natural Resources, 304 Dirksen Senate Building, Washington, DC.

DEAR SENATOR WYDEN:

Thank you for convening a hearing of the U.S. Senate Committee on Energy and Natural Resources to discuss the inequitable situation facing many coastal energy producing states. Unlike interior states which have evenly divided revenues (royalties, severance, and bonuses) with the federal Treasury since 1920, Gulf Coast States were only recently granted access to a portion of this revenue in 2006, and it is imperative that we expedite the delivery of these funds to the producing states who maintain the infrastructure and manage the ecosystems that support America's working coast.

The Fixing America's Inequities with Revenues Act (FAIR Act) proposes a balanced solution that strengthens the partnership between state and federal governments and gives all coastal producing states a fair share of the revenue generated off their coast. Coastal communities bear a disproportionate share of the costs associated with offshore energy development, and it should be a national priority to invest in their resiliency and sustainability.

Port Fourchon, for example, services over 90% of the Gulf of Mexico's deepwater production and provides nearly a fifth of our nation's oil supply. According to a 2011

Department of Homeland Security study, if Port Fourchon closed for 90 days, it would result in a reduction of 120 million barrels of oil and 250 billion cubic feet of gas production over a 10 year period.

The RESTORE Act guarantees that the Gulf States impacted by the Deepwater Horizon oil spill will have the resources they need to recover, but it will not begin to address the decades of deterioration that occurred during the growth of our offshore energy industry. Today, we have an opportunity to leverage this one-time restoration funding with a secure, viable long-term funding source. I strongly support the FAIR Act and encourage you to carefully consider the benefits this legislation would have for our nation.

Sincerely,

CHETT C. CHIASSON, MPA,
Executive Director.

AMERICA'S WETLAND FOUNDATION,
New Orleans, LA, July 23, 2013.

Hon. RON WYDEN,
Chairman, U.S. Senate, Committee on Energy and Natural Resources, 304 Dirksen Senate Building, Washington, DC.

DEAR SENATOR WYDEN: Thank you for convening a hearing of the U.S. Senate Committee on Energy and Natural Resources to discuss the inequitable situation facing many coastal energy producing states. Unlike interior states which have evenly divided revenues (royalties, severance, and bonuses) with the federal Treasury since 1920, Gulf Coast States were only recently granted access to a portion of this revenue in 2006, and it is imperative that we expedite the delivery of these funds to the producing states who maintain the infrastructure and manage the ecosystems that support America's working coast.

The Fixing America's Inequities with Revenues Act (FAIR Act) proposes a balanced solution that strengthens the partnership between state and federal governments and gives all coastal producing states a fair share of the revenue generated off their coast. Coastal communities bear a disproportionate share of the costs associated with offshore energy development, and it should be a national priority to invest in their resiliency and sustainability.

Port Fourchon, for example, services over 90% of the Gulf of Mexico's deepwater production and provides nearly a fifth of our nation's oil supply. According to a 2011 Department of Homeland Security study, if Port Fourchon closed for 90 days, it would result in a reduction of 120 million barrels of oil and 250 billion cubic feet of gas production over a 10 year period.

The RESTORE Act guarantees that the Gulf States impacted by the Deepwater Horizon oil spill will have the resources they need to recover, but it will not begin to address the decades of deterioration that occurred during the growth of our offshore energy industry. Today, we have an opportunity to leverage this one-time restoration funding with a secure, viable long-term funding source. The State of Louisiana took a decisive step years ago, constitutionally dedicating any and all GOMESA revenues received solely to coastal restoration and protection. I strongly support the FAIR Act and encourage you to carefully consider the benefits this legislation would have for our nation.

Sincerely,

R. KING MILLING,
Chairman.

STATEMENT OF ANNE M. MILLING, FOUNDER, WOMEN OF THE STORM

"Play fair" is what we, the Women of the Storm, women from the five Gulf Coast states, had instilled in us as children! And today we urge the federal government to play fair. It is our contention that our sister interior states benefit richly from revenue derived from land based energy production while we, the Gulf Coast with its extensive outer continental-shelf drilling, are totally short changed.

With our serious wetland crisis.... loss of more than a football field of land every 50 minutes, Louisiana has responded intelligently and smartly. We have created a Trust Fund, insuring that such federal dollars will be used solely to improve our environment, and we have crafted a serious master plan, outlining the necessary projects to restore our coast, which serves all Americans.. Dollars from the FAIR Act will be placed in trust and will be used to implement this plan, which would be beneficial not only to Louisiana but to the entire country.

The Women of the Storm, a non-political, grassroots organization, urges Congress and the Administration to play fair and to pass the FAIR act. These dollars must be returned now to the area impacted by exploration and drilling and must be dedicated to restoring a rapidly vanishing coast.

ENVIRONMENTAL DEFENSE FUND,
Washington, DC, August 2, 2013.

Hon. RON WYDEN,
Chairman, Committee on Energy and Natural Resources, U.S. Senate, Washington, DC.

Hon. LISA MURKOWSKI,
Ranking Member, Committee on Energy and Natural Resources, U.S. Senate, Washington, DC.

DEAR CHAIRMAN WYDEN AND RANKING MEMBER MURKOWSKI:

Thank you for the opportunity to provide a statement for your July 23rd hearing record as the Committee on Energy and Natural Resources continues consideration of S. 1273, the FAIR Act of 2013. The Environmental Defense Fund (EDF) does not have a position on the FAIR Act or the general practice of sharing energy production revenues with states; we do, however, believe there is an opportunity in Louisiana to use such revenues for a valuable environmental outcome.

The State of Louisiana has constitutionally dedicated any revenues shared by the federal government from OCS oil and gas production for the sole purpose of "coastal wetlands, conservation, coastal restoration, hurricane protection and infrastructure directly impacted by coastal wetlands losses." These purposes are consistent with the State of Louisiana's broadly supported 2012 Coastal Master Plan for a Sustainable Coast, which provides a compelling reason for EDF to engage in revenue sharing as a policy matter.

EDF recognizes the national importance of the Mississippi River Delta ecosystem, the severity and immediacy of the threats it faces, and the compelling need to advance the coastal restoration measures included in the Master Plan. The Plan utilized a state-of-the-art systems approach to coastal planning and a science-based decision making process that resulted in a plan that effectively invests available financial resources to make the greatest progress toward achieving a sustainable coast. It is specifically designed to maximize both risk reduction and land creation coastwide, and it includes a comprehensive list of restoration and protection projects developed through the application of science-based decision criteria.

The Master Plan identifies $50 billion in specific projects and policies to be implemented over 50 years to provide comprehensive storm flood damage reduction and wetland restoration, by integrating flood protection, habitat restoration, and navigation into the planning framework. As part of the adaptive management framework, the Master Plan includes a program that will solicit and evaluate cutting-edge technologies and other innovations that can be used to achieve the most efficient, cost-effective and sustainable approaches to project implementation, monitoring and adaptive management.

Thank you for bringing to light some of the vital coastal restoration needs in Louisiana. We look forward to future opportunities to work with your committee.

Sincerely,

STEVE COCHRAN DIRECTOR,
Mississippi River Delta Restoration.

SOUTH CENTRAL INDUSTRIAL ASSOCIATION,
Houma, LA.

Hon. RON WYDEN,
Chairman, U.S. Senate, Committee on Energy and Natural Resources, 304 Dirksen Senate Building, Washington, DC.

DEAR SENATOR WYDEN:

Thank you for convening a hearing of the U.S. Senate Committee on Energy and Natural Resources to discuss the inequitable situation facing many coastal energy producing states. Unlike interior states which have evenly divided revenues (royalties, severance, and bonuses) with the federal Treasury since 1920, Gulf Coast States were only recently granted access to a portion of this revenue in 2006, and it is imperative that we expedite the delivery of these funds to the producing states who maintain the infrastructure and manage the ecosystems that support America's working coast.

The Fixing America's Inequities with Revenues Act (FAIR Act) proposes a balanced solution that strengthens the partnership between state and federal governments and gives all coastal producing states a fair share of the revenue generated off their coast. Coastal communities bear a disproportionate share of the costs associated with offshore energy development, and it should be a national priority to invest in their resiliency and sustainability.

Port Fourchon, for example, services over 90% of the Gulf of Mexico's deepwater production and provides nearly a fifth of our nation's oil supply. According to a 2011 Department of Homeland Security study, if Port Fourchon closed for 90 days, it would result in a reduction of 120 million barrels of oil and 250 billion cubic feet of gas production over a 10 year period.

The RESTORE Act guarantees that the Gulf States impacted by the Deepwater Horizon oil spill will have the resources they need to recover, but it will not begin to address the decades of deterioration that occurred during the growth of our offshore energy industry. Today, we have an opportunity to leverage this one-time restoration funding with a secure, viable long-term funding source. I strongly support the FAIR Act and encourage you to carefully consider the benefits this legislation would have for our nation.

Sincerely,

LORI DAVIS,
SCIA President.

THE NATURE CONSERVANCY,
Arlington, VA, July 23, 2013.

Hon. RON WYDEN,
Chair, Committee on Energy and Natural Resources, U.S. Senate, Washington, DC.

Hon. LISA MURKOWSKI,
Ranking Member, Committee on Energy and Natural Resources, U.S. Senate, Washington, DC.

DEAR CHAIR WYDEN AND RANKING MEMBER MURKOWSKI:

I am writing on behalf of The Nature Conservancy to provide a statement on what we believe to be the key principles regarding revenue sharing programs for receipts derived from the development of the Outer Continental Shelf (OCS) lands as the Senate considers S.1273 by Senators Murkowski and Landrieu and related legislation.

The Conservancy is neither for nor against the practice of sharing with states those revenues derived from OCS development off their coasts. However, we urge that any revenue sharing program that is implemented should ensure that a significant portion of any funds directed to states are used to address the cumulative ecological impacts of OCS development. Further, any such legislation should also include dedicated funding for the Land and Water Conservation Fund (LWCF) to support all LWCF programs (including state and federal grant programs) to benefit the nation as a whole.

The attached statement lays out our principles in greater detail. We look forward to working with the Committee on these issues and the other important aspects of a revenue sharing bill as indicated in the attached.

Sincerely,

ROBERT BENDICK,
Director, U.S. Government Relations.

ATTACHMENT.—STATEMENT OF THE NATURE CONSERVANCY ON S. 1273

Mr. Chairman and members of the Committee, The Nature Conservancy appreciates the opportunity to present this statement as the Committee discusses S.1273 and options for revenue sharing programs derived from the development of Outer Continental Shelf (OCS) lands.

The Nature Conservancy is an international, non-profit conservation organization working around the world to protect ecologically important lands and waters for nature and people. Our mission is to conserve the lands and waters upon which all life depends. We are best known for our science-based, collaborative approach to developing creative solutions to conservation challenges. Our on-the-ground conservation work is carried out in all 50 states and more than 30 foreign countries and is supported by approximately one million individual members. With public and private partners, we have conserved nearly 15 million acres of land in the United States and Canada, 102 million acres internationally, and work at more than 100 marine sites worldwide.

The Conservancy is neither for nor against the practice of sharing with states those revenues derived from OCS development off their coasts. We recognize that those states often bear costs associated with remediating environmental degradation (including habitat loss and both routine and catastrophic oil spills) from development on OCS lands and associated transport and onshore infrastructure. We also recognize that resources on the OCS belong to the American people and should be administered by the federal government to benefit the American people as a whole.

Given that, the Conservancy submits that revenue sharing legislation should address two fundamental issues. First, any revenue sharing program should ensure that a significant portion of any funds directed to states are used to address the cumulative ecological impacts of OCS development. Second, the legislation should include dedicated funding for the Land and Water Conservation Fund (LWCF) to support all LWCF programs (including state and federal grant programs) to benefit the nation as a whole by addressing conservation and recreation needs nationwide. Dedicated funding for LWCF represents a fair and important investment back into the nation's important natural places with revenues derived from the extraction of the nation's valuable natural resources.

The remainder of this document lays out in more detail these and other principles that we believe should be addressed in any legislation that alters the disposition of OCS revenues.

Use of funds allocated to states.—The Conservancy is neither for nor against sharing a portion of OCS revenues with states, but advocates that in any revenue sharing program a significant portion of funds that go to states be directed to conservation purposes. Environmental impacts from offshore leasing should, in the first instance, be mitigated by the developer as part of the project(s), especially when the project impacts wetlands or federal trust species. However, there are also cumulative impacts of offshore energy development such as habitat degradation and coastal erosion that are typically not mitigated at the project level, and it is important for states to address these impacts. Therefore, a significant portion of a state's revenue share should be directed to addressing those unmitigated cumulative impacts, including through coastal protection and restoration and investments in natural infrastructure such as forested wetlands, marshes, oyster reefs, barrier islands, and dune systems.

This recommendation is in line with the former Coastal Impact Assistance Program (CIAP) and the Gulf of Mexico Energy Security Act of 2006 (GOMESA). Additionally, we note the general responsibility of the federal government to ensure that federal funds are expended for the intended purposes, and recommend that revenue sharing programs include provisions that enable the federal government to meet that responsibility, such as requiring that the GAO examine the use of funds provided to the states and submit to Congress a report at regular intervals on how those funds were spent.

Dedicated funding for LWCF.—The Land and Water Conservation Fund was authorized in 1965. Since then the vast majority of funding for LWCF has always come from OCS oil and gas revenues. LWCF was designed to ensure that $900 million per year of these revenues would be allocated to conserving our nation's natural and cultural heritage and enhancing opportunities for the American people to connect with that heritage through visitation, outdoor recreation, and tourism. However, since its enactment more than $17 billion in OCS revenues that should have gone to LWCF have been diverted to other purposes. Any new revenue sharing program should include full and dedicated funding for LWCF. Reinvesting in the nation's natural places through the LWCF ensures that all citizens are compensated for the sale of our federal resources.

It is worth noting that the LWCF program is not just about acquiring land for the public trust. LWCF programs conserve working landscapes that support the forest, farming, and ranching industries; provide access for hunters, anglers, and other recreation visitors to our federal lands and waters; and support the $646 billion outdoor recreation industry. LWCF investments have supported projects in every state and 98 percent of counties across the country.

LWCF has been the key to protecting state, local and national parks, wildlife refuges, forests and other federal lands, working forests and ranches, recreational trails and recreational access points for all Americans. Therefore, we urge that a portion of OCS revenues support all LWCF programs, including federal and state grants programs. Stateside LWCF programs have enabled the conservation of many important natural areas, but federal programs are also a critical companion for establishing national parks, wildlife refuges, and other areas that can be enjoyed by all Americans. Expanded OCS leasing.—The Conservancy is neither for nor against the practice of offshore oil and gas development overall. However, we submit that offshore leasing and eventual OCS development should be evaluated based on site-specific environmental conditions and risks. Further, those risks should be evaluated using the best and newest information and findings. Various bills have been introduced in the Senate and passed by the House to expand offshore leasing. These bills are problematic because they mandate that new leasing occur (outside of the evaluation process) and proceed according to a fixed schedule established in statute. Such an approach either eliminates or severely limits thorough environmental and public interest reviews for all stages of OCS leasing as currently called for in the Outer Continental Shelf Lands Act (OCSLA). Those environmental and other reviews are essential to reducing environmental risks and impacts and to ensuring that leasing is in the national interest, and should not be eliminated or weakened by any legislation relating to development of OCS resources.

Therefore, should revenue sharing legislation move forward, we strongly encourage that the Committee and Leadership make every effort to avoid provisions either in the bills as introduced or in proposed amendments that would mandate offshore leasing in particular locations and/or establish fixed timelines for leasing actions.

Measures to improve the safety and reduce environmental impacts of offshore oil and gas activity.—While we continue to learn lessons from the Exxon Valdez and Deepwater Horizon oil spills, one thing is clear: even in moderate weather conditions, and even in heavily developed areas with significant experience in oil spill response, the ability to contain oil, once accidently released into the environment, is limited. Moreover, the Deepwater Horizon spill illustrated how drilling under challenging conditions (in that case deep water) greatly increases the risks and reduces our ability to respond in a timely and effective manner.

Following the Deepwater Horizon catastrophe, the President appointed the The National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling (Commission). The Commission presented their recommendations in a final report in January 2011. Since then, both industry and the Administration have taken significant steps to improve their operations and reform the regulatory system for offshore oil and gas development, respectively. However, Congress has yet to enact legislation incorporating the recommendations of the Commission. We urge Congress to do so, both to formalize the many improvements made by industry and federal agencies, and to address many of the Commission's recommendations that require Congressional action at the outset.

Revenue sharing for onshore renewable energy development.—The Conservancy advocates for the responsible siting of energy development onshore and offshore regardless of the energy source. We support regional planning for energy and infrastructure development that seeks to minimize environmental conflicts by employing the mitigation hierarchy: avoid, minimize, and fully offset impacts, and that this approach should be directly tied to any energy revenue sharing legislation. Therefore, the Conservancy supports the leasing and revenue sharing program set out in the bipartisan bill, S.279 Public Land Renewable Energy Development Act of 2013, and would encourage the Congress to adopt the approach reflected in that legislation more broadly in other future legislation addressing energy development of all kinds. The bill also directs 35 percent of the federal renewable energy receipts to a fund for conservation activities—investing some of the funds derived from the use of our natural resources into the protection and restoration of our public lands—a principle that should guide all energy development permitted on federal lands and waters.

Affirming the importance of transitioning away from carbon-intensive energy choices.—To reduce the economic, health, and environmental costs of climate change, the Conservancy advocates that Congress and the Administration pursue a national energy policy that will reduce U.S. carbon emissions by 80 percent by 2050. We strongly believe that the U.S. should be a global leader in reducing its carbon emissions. Such a policy, which could include solutions such as carbon capture and storage, is not only essential to reducing the impacts of climate change, it will also lessen our current economically and geopolitically unstable dependence on fossil fuels. That in turn will avoid or lessen the economic and political pressure to develop fossil fuels in sensitive areas or in risky areas where the dangers of adverse ecological impacts resulting from fossil fuel development are especially high.

Thank you again for the opportunity to provide this statement. Revenue sharing legislation has the potential to address important issues such as the restoration of coastal and marine areas impacted by offshore development and the reinvestment in our nation's resources through the LWCF. Moving forward, the Conservancy looks forward to working with the Committee on these issues and the other important aspects of a revenue sharing bill as indicated above.

○