



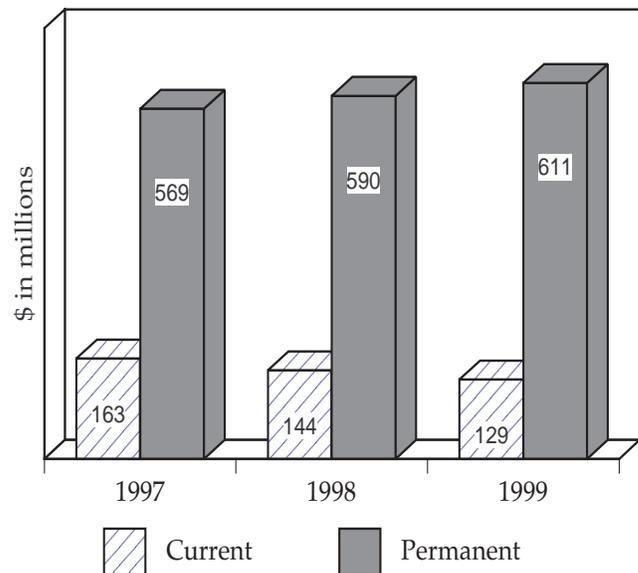
# MINERALS MANAGEMENT SERVICE

**Mission** - The Minerals Management Service was formed by Secretarial Order in 1982, upon the recommendation of the Independent Commission on Fiscal Accountability, to correct longstanding weaknesses in the Nation's mineral revenue collection efforts and the management of its Outer Continental Shelf (OCS) offshore lands. MMS has two major responsibilities: timely and accurate collection, distribution, accounting for and auditing of revenues owed by holders of mineral leases on Federal onshore and offshore and Indian lands; and management of energy and mineral resources on the Nation's OCS in an environmentally sound and safe manner.

**Program Overview** - The MMS's programs are vitally important to the Nation, contributing to both its economic well-being and energy security. Energy production from the OCS continues to increase, thereby helping to constrain our dependence on imported energy. The increased natural gas produced from the OCS will continue to play a key role in our Nation's efforts to reduce air pollution, and will likely contribute to any global warming mitigation strategies. The return on investment of MMS programs is enormous. Revenues generated and collected by the MMS have helped the Federal Government prepare a balanced budget for the first time since 1969. The \$4.0 to \$5.0 billion collected annually in revenues from minerals produced from offshore and onshore Federal lands directly reduces the Federal deficit and offsets expenses of other Federal agencies. The explosive growth in OCS rental revenues has permitted MMS to use receipts to cover over 30 percent of its total budgetary requirements, thus freeing up millions of dollars in limited discretionary budget authority to address other high priority programs and needs.

The MMS's programs and priorities are driven by its commitment to operating in the collective best interests of its many customers, including U.S. taxpayers, States, Indian Tribes and allottees, and the energy industry. Significant investments are proposed for both the Offshore Program and the Royalty Management Program to ensure that MMS remains capable of fulfilling its core regulatory responsibilities and continues to provide the high levels of service its constituencies have come to

## MMS Funding



expect. These investments are modest compared to the revenue return they will generate. Furthermore, these investments will be fully covered with increased offsetting receipts, thereby allowing MMS to reduce its direct appropriations significantly.

**Budget Overview** - The 1999 MMS budget request is approximately \$222.5 million, a net increase of roughly \$13.9 million above the 1998 enacted level of \$208.6 million. The proposed increase is more than covered by raising the cap on offsetting receipts from \$65.0 million to \$94.0 million. As a result, the request for direct appropriations is only \$128.5 million, a decrease of \$15.1 million below the 1998 level of \$143.6 million. At the 1999 request level, offsetting collections would cover over 40 percent of MMS's operating budget. In addition to the current budget, three permanent appropriations totaling \$610.6 million provide States their statutory shares of mineral leasing revenues generated on Federal lands. The proposed 1999 increase provides \$7.5 million for the Offshore Program and \$5.0 million to initiate a major reengineering effort for the Royalty Management Pro-

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gram (RMP). The increase will also enable MMS to fully fund its \$5.2 million in uncontrollable cost increases. The increase is offset by with selective programmatic reductions of \$3.8 million.

The 1998 MMS budget request and Congressional action provided for a \$6.3 million increase in the Offshore Program in response to the surging leasing activity that had occurred in the Gulf of Mexico up to the time of the 1998 budget formulation and predictions of continued robust leasing. As it turns out, actual leasing activity greatly exceeded such bullish expectations. The three lease sales conducted since development of the 1998 request were not simply robust, but instead, were all record-breakers. This phenomenal leasing activity has outstripped MMS's ability to effectively perform its regulatory responsibilities to ensure continued safe and environmentally sound development of the OCS.

The \$7.5 million increase for the Offshore Program will provide MMS with the additional manpower and scientific information needed to maintain its vigilant oversight of the OCS and provide timely service to industry, so as to not jeopardize continued development of the Nation's OCS resources, with the potential loss of billions in OCS revenues. MMS delays in bid evaluations, permit reviews, and other required actions can cause expensive "down-time" for industry and ultimately delay the receipt of government revenues from the OCS.

The OCS request includes approximately \$2.2 million in Regulatory Operations to support an expanded inspection and enforcement workforce. The prolific growth in the number of inspectable units in the Gulf of Mexico, and the geographical dispersion of these units over a much greater area, has simply spread the existing inspector force too thin, thus threatening its effectiveness. The proposed increase will strengthen the regulatory program to better ensure and maintain MMS's commitment to the safe and environmentally sound development of the OCS.

The OCS request includes \$4.9 million in the Leasing and Environmental Program, most of which will support environmental studies focusing on deepwater regions of the Gulf of Mexico. Very little is currently known about the deepwater topography and habitat in this region. Addressing these information needs is essential to MMS decision-making for environmentally sound development.

The rapid pace of deepwater leasing has accelerated the need for these studies. Industry has already invested heavily in these deepwater regions, both in technology development and in bonus bids on deepwater leases. This investment, or the environment, could be put to risk if MMS lacks the information it needs to perform such functions as evaluating exploration and development plans, developing appropriate lease stipulations, and evaluating oil spill response plans.

The OCS request also proposes \$0.4 million in Resource Evaluation (RE). The RE workload related to lease sales and deepwater royalty relief has resulted in an increasing backlog of necessary work related to the ongoing exploration and development of existing leases, such as reserves inventory, field determinations, and regional mapping and assessment. Additional personnel are needed to clear up the backlog and enable the Gulf Region to keep up with the downstream RE workload resulting from the record sales.

The \$5 million proposed in 1999 for RMP reengineering will be used to design and begin development of new automated systems to implement redesigned business processes. The RMP faces the dilemma of responding to new legislative requirements, most notably the Royalty Simplification and Fairness Act (RSFA) with aging systems that already exceed accepted life cycle standards. Without this investment, a major risk of system failure and operational instability exists. Furthermore, the RSFA-authorized delegation of royalty management functions to States cannot be accommodated with the current RMP systems configuration. RMP modernization is also essential for MMS to continue fulfilling its basic goal of ensuring the timely collection, accounting, verification, and disbursement of mineral revenues.

The \$3.8 million in proposed program reductions include \$1.2 million for the Marine Minerals Technology Centers program. Continuation of this program cannot be covered given the far more pressing needs in MMS's core mission areas, as discussed above. The request also reflects a general reduction of -\$2.4 million to the RMP program that is made possible by improved efficiencies and streamlining. Finally, a savings of -\$0.2 million is possible in the Offshore Program due to the reduced costs associated with MMS's offshore air quality monitoring activities.

**SUMMARY OF BUREAU APPROPRIATIONS**  
(all dollar amounts in thousands)

Comparison of 1999 Request with 1998 Enacted:

	1998 Enacted		1999 Request		Change From 1998	
	FTE	Amount	FTE	Amount	FTE	Amount
Appropriations						
Royalty and Offshore Minerals Management .....	1,695	137,521	1,725	122,402	30	-15,119
Oil Spill Research .....	26	6,118	26	6,118	0	0
Subtotal, Direct Appropriations .....	1,721	143,639	1,751	128,520	30	-15,119
Offsetting Collections .....		65,000		94,000		+29,000
Proposed 1998 Supplemental [non add] .....	[16]	[6,675]				
Subtotal, Appropriations .....		208,639		222,520		+13,881
Permanents and Trusts .....						
Mineral Leasing and Associated Payments .....	0	586,327	0	606,581	0	+20,254
Leases of Lands Acquired for Flood Control, .....						
Navigation, and Allied Purposes .....	0	726	0	756	0	+30
Nat'l. Forests Funds, Payments to States .....	0	3,233	0	3,311	0	+78
Subtotal, Permanents and Trusts .....	0	590,286	0	610,648	0	+20,362
<b>TOTAL, MINERALS MANAGEMENT SERVICE</b>	<b>1,721</b>	<b>798,925</b>	<b>1,751</b>	<b>\$833,168</b>	<b>30</b>	<b>+34,243</b>

Note: Proposed 1998 supplemental funds have not yet been approved by OMB.

**HIGHLIGHTS OF BUDGET CHANGES**  
By Appropriation Activity/Subactivity

**APPROPRIATION: Royalty and Offshore Minerals Management**

	1997 Actual	1998 Enacted	1999 Request	Change from 1998 Enacted
Outer Continental Shelf Lands				
Leasing & Environmental Program				
Appropriation .....	18,548	13,830	12,087	-1,743
Offsetting Collections .....	9,726	16,265	23,265	+7,000
Proposed 1998 Supp [non add] .....	[4,800]			
Total, Leasing & Environ Prog .....	28,273	30,095	35,352	+5,257
Resource Evaluation Program				
Appropriation .....	11,333	17,336	8,948	-8,388
Offsetting Collections .....	7,071	4,985	12,985	+8,000
Proposed 1998 Supp [on add] .....	[225]			
Total, Resource Evaluation Prog .....	18,403	22,321	21,933	-388
Regulatory Program				
Appropriation .....	22,186	28,270	17,283	-10,987
Offsetting Collections .....	12,236	8,007	22,007	+14,000
Proposed 1998 Supp [non add] .....	[1,650]			
Total, Regulatory Program .....	34,422	36,277	39,290	+3,013
Information Management Program				
Appropriation .....	2,154	2,198	2,447	+249
Offsetting Collections .....	11,968	11,743	11,743	0
Total, Info Mgmt Program .....	14,122	13,941	14,190	+249

	<u>1997 Actual</u>	<u>1998 Enacted</u>	<u>1999 Request</u>	<u>Change from 1998 Enacted</u>
<b>Offshore Management Support</b>				
Appropriation .....	0	0	0	0
Offsetting Collections .....	0	0	0	0
Total, Offshore Mgmt Support .....	0	0	0	0
Appropriation .....	54,220	61,634	40,765	-20,869
Offsetting Collections .....	41,000	41,000	70,000	+29,000
Proposed 1998 Supp [non add] .....		[6,675]		
Subtotal, OCS Lands .....	95,220	102,634	110,765	+8,131
<b>Royalty Management:</b>				
<b>Valuation &amp; Operations</b>				
Appropriation .....	33,022	24,126	25,373	+1,247
Offsetting Collections .....	0	8,250	8,250	0
Total, Valuation & Operations .....	33,022	32,376	33,623	+1,247
<b>Compliance</b>				
Appropriation .....	34,235	25,369	28,218	+2,849
Offsetting Collections .....	0	8,250	8,250	0
Total, Compliance .....	34,235	33,619	36,468	+2,849
<b>Indian Allottee Refunds</b>				
Appropriation .....	15	15	15	0
Offsetting Collections .....	0	0	0	0
Total, Indian Allottee Refunds .....	15	15	15	0
<b>Late Interest Payments</b>				
Appropriation .....	91	0	0	0
Offsetting Collections .....	0	0	0	0
Total, Late Interest Payments .....	91	0	0	0
<b>Program Service Office</b>				
Appropriation .....	2,700	2,564	2,623	+59
Offsetting Collections .....	0	0	0	0
Total, Program Service Office .....	2,700	2,564	2,623	+59
Appropriation .....	70,063	52,074	56,229	+4,155
Offsetting Collections .....	0	16,500	16,500	0
Subtotal, Royalty Management .....	70,063	68,574	72,729	+4,155
<b>General Administration</b>				
<b>Executive Direction</b>				
Appropriation .....	1,902	1,815	1,870	+55
Offsetting Collections .....	0	0	0	0
Total, Executive Direction .....	1,902	1,815	1,870	+55
<b>Policy &amp; Management Improvement</b>				
Appropriation .....	3,780	3,628	3,740	+112
Offsetting Collections .....	0	0	0	0
Total, Policy & Mgmt Improv .....	3,780	3,628	3,740	+112
<b>Administrative Operations</b>				
Appropriation .....	12,514	11,618	12,092	+474
Offsetting Collections .....	0	500	500	0
Total, Administrative Operations ..	12,514	12,118	12,592	+474

	<u>1997 Actual</u>	<u>1998 Enacted</u>	<u>1999 Request</u>	<u>Change from 1998 Enacted</u>
General Support Services				
Appropriation .....	14,476	6,752	7,706	+954
Offsetting Collections .....	0	7,000	7,000	0
Total, General Support Services .....	14,476	13,752	14,706	+954
Appropriation .....	32,672	23,813	25,408	+1,595
Offsetting Collections .....	0	7,500	7,500	0
Subtotal, General Administration ...	32,672	31,313	32,908	+1,595
TOTAL APPROPRIATION .....	197,955	202,521	216,402	+13,881

### Highlights of Budget Changes

	<u>Amount</u>
Uncontrollable Cost Net Increases (non-add)	[+5,180]
OCS Lands	
Leasing and Environmental Program	+5,257
Technological advances in oil and gas exploration and production over the last several years coupled with recently passed deepwater OCS royalty rate relief legislation has resulted in dramatic increases in drilling in both deep and shallow waters in the Gulf of Mexico. An increase of \$5,257 over the enacted level is required for MMS to address the increased information needs and workload associated with the growth in Gulf activity. The total increase includes funding for: physical oceanographic, biological, and socioeconomic studies relating to production from deepwater in the Gulf of Mexico (+\$4,456); document and data management (+\$150); and deepwater environmental assessment (+\$350). These increases are partly offset by a decrease in air quality cost (-\$167). Uncontrollable cost increases are +\$468.	
Resource Evaluation Program	-388
Within the total net decrease below the 1998 enacted level is an increase of \$375 to enable MMS to hire additional staff to handle the workload associated with the rise in deepwater leasing in the Gulf of Mexico. This programmatic increase and the uncontrollable cost increases of \$437 are more than offset by a decrease (-\$1,200) in the Marine Minerals Technology Center Program.	
Regulatory Program	+3,013
The proposed increase over the 1998 enacted level includes \$1,900 for increased inspection and enforcement activities, \$100 for technical training, and \$200 for increased space requirements to accommodate a larger inspection workforce. Uncontrollable cost increases are +\$813.	
Royalty Management	
Valuation and Operations	+1,247
The Royalty Management Program (RMP) is currently involved in a multi-year effort to completely change the way it does business. The proposed increase is to fund RMP's re-engineering effort (+\$2,500). This increase is partially offset by a decrease (-\$1,918) in personnel costs, which is possible because of streamlining, reducing management levels, and reducing staff support positions. Uncontrollable cost increases are +\$665.	
Compliance	+2,849
The proposed increase is to fund the RMP's re-engineering effort (+\$2,500). This increase is partially offset by a decrease (-\$505) in personnel costs, which is possible because of streamlining, reducing management levels, and reducing staff support positions. Uncontrollable cost increases are +\$854.	

### **APPROPRIATION:Oil Spill Research**

	<u>1997 Actual</u>	<u>1998 Enacted</u>	<u>1999 Request</u>	<u>Change from 1998 Enacted</u>
Oil Spill Research .....	6,440	6,118	6,118	0