EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

November 17, 2016
(Senate)

STATEMENT OF ADMINISTRATION POLICY

S. 3110 – American Energy and Conservation Act of 2016
(Sen. Cassidy, R-LA, and five cosponsors)

The Administration strongly opposes S. 3110, the American Energy and Conservation Act. The bill would, among other things, change existing revenue sharing laws to increase the amount that certain States and counties would receive from energy production on Federal lands and waters, thereby reducing the fair return on the development of these minerals to taxpayers across the country for their shared resources. S. 3110 would have significant and long-term costs to the Federal Treasury.

The Department of the Interior, which oversees the development of about 23 percent of domestic energy supplies collects, on average, over $10 billion annually from the development of Federal minerals, including fossil and renewable energy resources. Various statutes govern how these revenues are allocated depending on the resource type and location. About half of the Federal revenue from onshore energy development is shared with States or counties, with the remainder deposited in the Treasury, where it offsets annual appropriations or otherwise contributes to deficit reduction. The majority of revenue generated from offshore energy leases on the Federal Outer Continental Shelf (OCS) goes to the Treasury, while a portion goes to fund important Federal conservation programs through contributions to the Land and Water Conservation Fund and the Historic Preservation Fund. Through the Gulf of Mexico Energy Security Act of 2006 (GOMESA), the amount of OCS revenue allocated to revenue sharing payments to nearby States and counties is already set to increase dramatically in fiscal year 2018.

The Administration takes seriously its responsibility to the public for the stewardship of the Nation's energy resources and public assets that generate royalty revenue from Federal leases. It remains committed to ensuring that American taxpayers receive a fair return from the sale of public resources owned by all Americans. That is why the President's 2017 Budget proposes to redirect future GOMESA revenue sharing payments to the dual objectives of reducing the deficit and enhancing the resilience of coastal communities nationwide to the impacts of climate change. In contrast, the provisions of S. 3110 would ultimately reduce the fair return on the development of these minerals to taxpayers across the country for their shared resources, would result in reductions of billions of dollars in deposits to the Treasury, and would add significantly to the Federal deficit. <u>If the President were presented with S. 3110, his senior advisors would recommend he veto the bill</u>.

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