

***Oppose Amendments to Divert Billions in  
Oil and Gas Royalty Payments from  
Federal Treasury***



July 20, 2011

Dear Energy and Natural Resources Committee Member:

This week the Energy and Natural Resources Committee will consider several bills related to offshore oil and gas, and it is likely an amendment will be offered that would divert billions in royalty payments from the federal treasury to a handful of coastal states. Taxpayers for Common Sense urges you to oppose this amendment and any legislative measures that would alter the existing federal-state revenue sharing provisions for royalty payments. In the face of a federal debt crisis, siphoning billions in valuable revenue from the general treasury is downright foolish.

Royalty payments generated from federal waters represent a significant source of federal income. The coastal states where offshore drilling takes place off their shores already receive significant revenue from royalty payments. States receive all the revenue generated within three miles of their shoreline. Additionally, under section 8(g) of the Outer Continental Shelf Lands Act, states receive 27% of royalty payments for development in waters within 3-6 miles of their coasts – about a quarter billion dollars in FY2010. For the remaining exclusive economic zone – out to 200 miles – the royalty revenue is returned to the rightful resource owner, the federal taxpayer. This area is administered, protected, and managed by federal– not state – resources, and the revenue derived from sale of these resources should be returned to the federal treasury.

Besides, federal taxpayers have already lost additional income from federal resources in the Gulf of Mexico. A 2006 law gives the Gulf states an even larger share of federal revenues. They receive 37.5% of the royalty income from certain newly opened areas in federal waters of the Gulf, and beginning in 2016 they will receive 37.5% of royalties from new leases throughout the Gulf's federal waters, up to \$500 million annually.

With the federal debt mounting, it makes no sense to reduce federal earnings from national resources in U.S. waters. We urge you to vote against any amendments to alter federal-state revenue sharing. If you have any questions, please contact me or Autumn Hanna at 202-546-8500 x112 or autumn@taxpayer.net.

Sincerely,

A handwritten signature in black ink, appearing to read 'A. Ryan Alexander', is positioned below the word 'Sincerely,'.

Ryan Alexander  
President