

## Calendar No. 552

117TH CONGRESS }  
2d Session }

SENATE

{ REPORT  
117-201

### ALASKA OFFSHORE PARITY ACT

NOVEMBER 17, 2022.—Ordered to be printed

Mr. MANCHIN, from the Committee on Energy and  
Natural Resources, submitted the following

### R E P O R T

[To accompany S. 2996]

The Committee on Energy and Natural Resources, to which was referred the bill (S. 2996), to provide for the distribution of certain outer Continental Shelf revenues to the State of Alaska, and for other purposes, having considered the same, reports favorably thereon with amendments and recommends that the bill, as amended, pass.

#### AMENDMENTS

The amendments are as follows:

1. On page 4, strike lines 1 through 6 and insert the following:
  - (2) 30 percent of qualified revenues in a special account in the Treasury, to be distributed by the Secretary to the State;
  - (3) 7.5 percent of qualified revenues in a special account in the Treasury, to be distributed by the Secretary to coastal political subdivisions; and
  - (4) 12.5 percent of qualified revenues in the National Oceans and Coastal Security Fund established under section 904(a) of the National Oceans and Coastal Security Act (16 U.S.C. 7503(a)).
2. On page 6, after line 20, add the following:

(f) REPORTING REQUIREMENT FOR FISCAL YEAR 2023 AND THEREAFTER.—

(1) IN GENERAL.—Beginning with fiscal year 2023, not later than 180 days after the end of each fiscal year in which the State receives amounts under subsection (a)(2), the State shall submit to the Secretary a report that describes the use of the amounts by the State during the preceding fiscal year covered by the report.

(2) PUBLIC AVAILABILITY.—On receipt of a report required under paragraph (1), the Secretary shall make the report available to the public on the website of the Department of the Interior.

(3) LIMITATION.—If the State fails to submit the report required under paragraph (1) by the deadline specified in that paragraph, any amounts that would otherwise be provided to the State under subsection (a)(2) for the succeeding fiscal year shall be withheld for the succeeding fiscal year until the date on which the report is submitted.

(4) CONTENTS OF REPORT.—Each report required under paragraph (1) shall include, for each project funded in whole or in part using amounts received under subsection (a)(2)—

(A) the name and description of the project;

(B) the amount received under subsection (a)(2) that is allocated to the project; and

(C) a description of how each project is consistent with the authorized uses under subsection (d).

(5) CLARIFICATION.—Nothing in this subsection—

(A) requires or provides authority for the Secretary to delay, modify, or withhold payment under this subsection, other than for failure to submit a report as required under this subsection;

(B) requires or provides authority for the Secretary to review or approve uses of funds reported under this subsection;

(C) requires or provides authority for the Secretary to approve individual projects that receive funds reported under this subsection;

(D) requires the State to obtain the approval of, or review by, the Secretary prior to spending funds disbursed under subsection (a)(2);

(E) requires or provides authority for the Secretary to issue guidance relating to the contents of, or to determine the completeness of, the report required under this subsection;

(F) requires the State to obligate or expend funds disbursed under subsection (a)(2) by a certain date; or

(G) requires or provides authority for the Secretary to request the State to return unobligated funds.

#### PURPOSE

The purpose of S. 2996, as ordered reported, is to modify the distribution of certain outer Continental Shelf revenues by providing for revenue sharing of Federal oil and gas revenue to the State of Alaska, coastal political subdivisions of the State of Alaska, and the National Oceans and Coastal Security Fund.

#### BACKGROUND AND NEED

The Outer Continental Shelf Lands Act (OCSLA), Public Law 95–372, governs federal mineral exploration and development on the Outer Continental Shelf (OCS), generally defined by the Submerged Lands Act (SLA) as the submerged lands seaward of the state-managed submerged lands. The Energy Policy Act of 2005, Public Law 109–58, amended the OCSLA to authorize the Sec-

retary of the Interior to issue leases, easements, and rights-of-way to allow for renewable energy development on the OCS. As amended, OCSLA now governs both renewable and fossil energy development in federal waters.

The Department of the Interior (DOI), through the Bureau of Ocean Energy Management (BOEM), manages energy development of the Outer Continental Shelf (OCS). Development in the OCS has been a significant source of domestic oil and natural gas production and federal revenues.

The revenues generated from energy and mineral leasing are currently distributed in a variety of ways, often with a revenue sharing component, whereby federal revenues are disbursed directly to states or localities. Onshore leasable mineral development, including coal and oil and gas, on federal lands generally results in 48 percent of the revenues produced being shared with the State they are located within (50 percent less a 2 percent deduction for administrative and other costs), to be used by the State for general public purposes.

Under current law, with the exception of certain qualifying leases in the Gulf of Mexico, the revenue from OCS energy production is retained by the U.S. Treasury. The Gulf of Mexico Energy Security Act (GOMESA) of 2006 (Public Law 109-432) created a revenue sharing program in which the four Gulf states (Alabama, Louisiana, Mississippi, and Texas) receive a portion of the revenue generated from oil and gas production offshore in the Gulf of Mexico. Under the Act, 37.5 percent of all revenues are shared among the four states and 12.5 percent is dispersed into the Land and Water Conservation fund. The remaining 50 percent of the revenue is deposited into the U.S. treasury. GOMESA funds are to be used for coastal conservation, restoration, and hurricane protection.

Since the passage of GOMESA, providing for new forms of revenue sharing, or modifying the conditions of existing revenue sharing programs, has been a frequent topic of legislation before this Committee. In the recent past, much of the focus has been the disposition of OCS revenue under the existing revenue sharing framework for oil and gas in the Gulf of Mexico, as well as the creation of similar revenue sharing frameworks for either offshore wind or the OCS offshore of Alaska.

Unlike the Gulf producing States, under current law, Alaska does not receive any revenue sharing payments from the development of Federal offshore oil and gas leases (outside of the littoral areas designated under section 8(g) of the Outer Continental Shelf Lands Act). S. 2996 establishes a revenue sharing program whereby Federal oil and gas revenues are disbursed to the State of Alaska, similar to that of GOMESA.

S. 2996, as amended, directs the Secretary of the Treasury to deposit 50 percent of all revenues from rentals, royalties, bonus bids, and other sums from energy development in the Alaska outer continental shelf region into the general fund of the Treasury and 12.5 percent of revenue in the National Oceans and Coastal Security Fund established under section 904(a) of the National Oceans and Coastal Security Act, while the Secretary of the Interior would disburse 30 percent of all revenue to the State of Alaska and 7.5 percent of all revenue to the coastal political subdivisions of the State. Of the revenue disbursed to the State of Alaska, the bill

would restrict the authorized uses of the amounts to a variety of enumerated uses. Finally, the bill requires the State to submit a report to the Secretary detailing each project and the associated funding and how the project is consistent with the purposes of the Act.

#### LEGISLATIVE HISTORY

Senator Murkowski and Senator Sullivan introduced S. 2996 on October 19, 2021. The Subcommittee on Public Lands, Forests, and Mining held a hearing on S. 2996 on June 7, 2022.

#### COMMITTEE RECOMMENDATION

The Senate Committee on Energy and Natural Resources, in open business session on July 21, 2022, by a voice vote of a quorum present, recommends that the Senate pass S. 2996, if amended as described herein.

#### COMMITTEE AMENDMENTS

During its consideration of S. 2996, the Committee adopted two amendments. The first amendment reduces the amount of revenue distributed to the State from 40 percent to 30 percent and distributes 12.5 percent to the National Oceans and Coastal Security Fund. The second amendment requires the State to submit a report that details the uses of funding and a description of each proposed project. The amendments are described in further detail in the section-by-section analysis below.

#### SECTION-BY-SECTION ANALYSIS

##### *Section 1. Short title*

Section 1 provides the short title for the bill.

##### *Sec. 2. Definitions*

Section 2 provides key definitions for the bill.

##### *Sec. 3. Disposition of qualified revenues in Alaska*

Subsection (a) directs the Secretary of the Treasury to deposit 50 percent of the revenues from energy development in the Alaska Outer Continental Shelf region into the general fund of the treasury; 30 percent into a special account to be distributed to the State by the Secretary of the Interior; 7.5 percent into a special account to be distributed to coastal political subdivisions of the State by the Secretary of the Interior; and 12.5 percent in the National Oceans and Coastal Security Fund.

Subsection (b) requires that of the 7.5 percent of all revenue dedicated to the coastal political subdivisions, 90 percent must be allocated based on a formula to be determined by a Secretary of the Interior based on distance from each subdivision to the leased tract and excluding those subdivisions more than 200 miles from the center. The remaining 10 percent shall be equally divided among each coastal political subdivision.

Subsection (c) states that the qualified revenues from an applicable fiscal year will be made available in the succeeding fiscal year.

Subsection (d) provides the authorized uses of funding that is disbursed to the State under subsection (a). Authorized uses in-

clude the following purposes: coastal protection, conservation, and restoration projects, onshore infrastructure and relocation of communities directly affected by coastal erosion, melting permafrost, or climate change-related losses; projects that mitigate damage to fish, wildlife and natural resources, installing and operating energy systems that reduce costs and greenhouse gas emissions, aiding communities in adaptation planning and emergency preparedness, university programs, and other purposes approved by the State Legislature and the Governor. No more than 3 percent of the amounts received may be used for planning assistance and administrative costs.

Subsection (e) provides that disbursements to the State and coastal political subdivisions will: be made available without further appropriation, remain available until expended, and be in addition to any amounts appropriated under any other provision of law.

Subsection (f) requires the State of Alaska to submit a report an annual report that describes each project funded, in whole or in part, using amounts received under this section. The report is required to be submitted to the Secretary of the Interior within 180 days of the end of each fiscal year, starting with fiscal year 2023. If the report is not submitted by the deadline, the Secretary shall withhold the succeeding fiscal year disbursement until the report is submitted. The Secretary shall make the report publicly available on the website of the Department of the Interior. Subsection (f) also provides that the Secretary does not have the authority to withhold payment for any other reason other than failure to submit the report, to review or approve uses of funds, approve individual projects, issue guidance relating to the contents or completeness of the report, or require a State to expend the funds by a certain date or return unobligated funds.

#### COST AND BUDGETARY CONSIDERATIONS

The Committee has requested, but has not yet received, the Congressional Budget Office's estimate of the cost of S. 2996 as ordered reported. When the Congressional Budget Office completes its cost estimate, it will be posted at [www.cbo.gov](http://www.cbo.gov).

#### REGULATORY IMPACT EVALUATION

In compliance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee makes the following evaluation of the regulatory impact which would be incurred in carrying out S. 2996. The bill is not a regulatory measure in the sense of imposing Government-established standards or significant economic responsibilities on private individuals and businesses. No personal information would be collected in administering the program. Therefore, there would be no impact on personal privacy. Little, if any, additional paperwork would result from the enactment of S. 2996, as ordered reported.

#### CONGRESSIONALLY DIRECTED SPENDING

S. 2996, as ordered reported, does not contain any congressionally directed spending items, limited tax benefits, or limited tariff

benefits as defined in rule XLIV of the Standing Rules of the Senate.

#### EXECUTIVE COMMUNICATIONS

The testimony provided by the Department of the Interior at the June 7, 2022, hearing on S. 2996 follows:

DEPARTMENT OF THE INTERIOR STATEMENT, NADA WOLFF  
CULVER, DEPUTY DIRECTOR, POLICY & PROGRAMS, BUREAU OF LAND MANAGEMENT, U.S. DEPARTMENT OF THE  
INTERIOR

#### INTRODUCTION

Thank you for the opportunity to provide testimony on the following bills related to Bureau of Land Management (BLM).

The BLM manages approximately 245 million surface acres, located primarily in 12 western states, as well as 30 percent of the nation's onshore mineral resources across 700 million subsurface acres, overlain by properties managed by other Federal agencies such as the Department of Defense and the U.S. Forest Service (USFS) as well state and private lands.

The BLM manages public lands under the Federal Land Policy and Management Act (FLPMA), passed by Congress in 1976. The BLM remains committed to its core mission of multiple use and sustained yield, which provides for a careful balancing across many uses and resources to steward the public lands for all.

Under the BLM's multiple use mandate, the BLM manages public lands for a broad range of uses, such as renewable and conventional energy development, livestock grazing, timber production, hunting and fishing, recreation, and conservation—including protecting cultural and historic resources. Lands managed by the BLM also provide vital habitat for more than 3,000 species of wildlife and support fisheries of exceptional regional and national value. In addition, the Biden Administration's America the Beautiful initiative emphasizes the conservation of the nation's natural resources recognizing that many uses of our lands and waters, recognizing that that many uses of our lands and waters, including working lands, can be consistent with the long-term health and sustainability of natural systems.

Overall, the BLM estimates that commercial activities on public lands, support nearly 524,000 jobs in timber, recreation, grazing, nonenergy minerals and the energy sector. That activity is the economic driver for communities across the West. It is also a significant generator of tax revenues that support state and local governments.

We appreciate the Sponsors' work on the bills under consideration today. A review of each of the bills follows.

## S. 2996, ALASKA OFFSHORE PARITY ACT

The Department, through the Bureau of Ocean Energy Management, manages energy and mineral resources located in Federal waters of the Outer Continental Shelf (OCS) with authority granted by the Outer Continental Shelf Lands Act (OCSLA). Under Section 8(g) of OCSLA, a portion of Federal offshore oil and gas revenues generated from leases located in the first three nautical miles of Federal waters past the boundary with state waters is shared with the adjacent coastal states. S. 2996 proposes expanding revenue sharing provisions to areas of the Alaska OCS not already subject to Section 8(g) of OCSLA. As part of this bill, 50% of Alaska OCS oil and gas revenues generated from leases outside of the 8(g) zone, other than revenues from the forfeiture of financial security instruments, would go to the Treasury, with the remaining split between the State of Alaska (42.5%) and coastal political subdivisions within the State (7.5%). The bill lists allowable uses for revenues received by the State of Alaska, including coastal protection and restoration, funding onshore infrastructure projects, installation of energy systems to reduce energy costs and greenhouse gas emissions, other purposes approved by the Governor and State legislature, and more.

*Analysis*

The Department is committed to ensuring that American taxpayers receive a fair return from the development of offshore mineral resources, which are owned by all Americans. The Department also recognizes the importance of increasing investments in coastal protection and other climate change mitigation funds for the State of Alaska. However, the Administration has concerns that any re-direction of OCS revenues from the Treasury reduces the net return to taxpayers and funding available for other priorities, and fosters dependence on an uncertain and unpredictable source of revenue. The Administration also has concerns with the scope of eligible uses for State revenues under the legislation, which does not ensure that the funding will be committed to mitigating coastal damage or protecting communities and natural resources that are at the highest risk of harm due to climate change. We look forward to further discussion with the Sponsor and the Committee.

## CONCLUSION

Thank you for the opportunity to provide testimony on these bills, and I look forward to your questions.

CHANGES IN EXISTING LAW

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, the Committee notes that no changes in existing law are made by the bill as ordered reported.

