



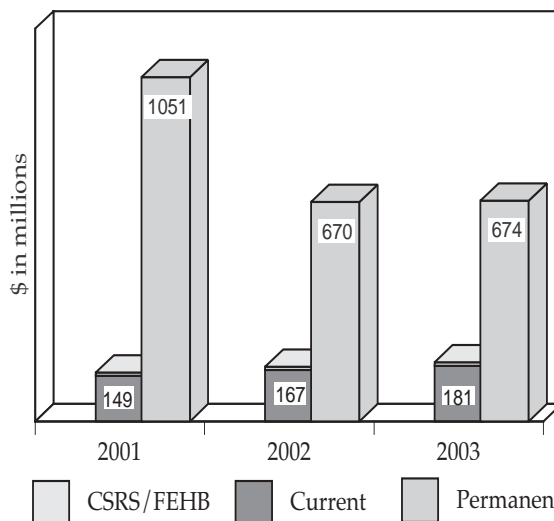
MINERALS MANAGEMENT SERVICE

Mission – The Minerals Management Service was formed by Secretarial Order in 1982 to facilitate the Nation’s mineral revenue collection efforts and the management of its Outer Continental Shelf offshore lands. The MMS has two major responsibilities: management of energy and mineral resources on the Nation’s OCS in an environmentally sound and safe manner; and 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.

Program Overview – The MMS programs contribute significantly to the Nation’s economic well-being and energy security. Energy production from the OCS helps to limit the United State’s 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. In 2003, the MMS programs will collect about \$4.2 billion in revenues from minerals produced from offshore and onshore Federal and Indian lands. This income contributes to the funding of other Federal programs. In addition to Federal and tribal interests, the Minerals Management Service also supports States and local governments through revenue sharing and by providing OCS sand and gravel for beach nourishment projects. Since 1994, increasing OCS rental revenues have permitted MMS to use receipts to cover over \$576 million in previously appropriated activities. This has freed up the equivalent amount of limited discretionary budget authority to address other Federal high priority programs. The 2003 budget request will add another \$100.2 million to that total.

Budget Overview – The 2003 MMS request is \$281.0 million, including \$10.4 million for a government-wide legislative proposal to shift to agencies the full cost of the CSRS pension system and the Federal employee health benefits program for current CSRS employees. Without the legislative proposal, the request is \$270.6 million, a net increase of \$11.1 million above the 2002 enacted level. Three permanent appropriations totaling \$674.3 million will provide States with their statutory shares of mineral leasing revenues generated on Federal lands.

MMS Funding



In 2003, offsetting receipts are estimated to be \$100.2 million, \$2.5 million less than in 2002. The request for direct appropriations is \$170.3 million, an increase of \$13.6 million over the \$156.8 million enacted in 2002. This increase will enable MMS to fund increases in uncontrollable costs, embark on a new electronic government initiative, develop software for expanding the royalty-in-kind pilot programs, and allow MMS to keep pace with the demand for services on the OCS. The increase in funding is partially offset by savings generated by the transition from the legacy information technology systems to the re-engineered royalty system, organizational streamlining, and reductions in environmental studies.

OCS Program – The goal of the OCS program is to provide for safe and environmentally sound energy and mineral development on the OCS and to ensure that the public receives fair market value for these resources. MMS’s OCS activities contribute to the Nation’s economic well-being and energy security. To carry out this goal, MMS’s activities include review of new exploration and development plans, examination of pipeline right-of-way applications, environmental assessments, and inspections of mineral extraction operations on-site.

In 2003, the OCS lands program level will be \$137.5 million, an increase of \$9.5 million over the 2002 level of \$128.0 million. MMS proposes to eliminate \$800,000 in funding for the Center for Marine Resources and Environmental Technology in Mississippi and \$800,000 for the Marine Mineral Technology Center in Alaska. The budget request also reduces funding for the Offshore Research and Technology Center in Texas by \$499,000 to \$900,000 to better reflect funding priorities for research in oil and gas exploration and production. Funding for environmental studies is reduced by \$2.2 million. The studies program will focus primarily on the continuation of ongoing environmental and socioeconomic studies.

In 2003, MMS plans to increase funding for OCS activities in the Gulf of Mexico by \$5.0 million in support of the Administration's energy policy to promote domestic production of oil and natural gas, which includes processing permits to drill, reviewing development plans, and inspecting offshore operations to ensure both worker and environmental safety. As leases mature and move toward production, industry demand for MMS's services increases, particularly in deep water. To facilitate this move to production and to prevent an accumulation of unprocessed permits, MMS plans to increase staff needed to perform required environmental impact assessments in support of permit requests; to review development plans; and to ensure adequate inspection of offshore operations. This funding also covers the increase in travel costs to offshore operations to perform inspections.

As a result of its expanding workload in offshore mineral development, MMS faces an exponential increase in the volume of data it handles and the need for optimal data integrity and management. The needs of MMS have outpaced the business practices under current technology. In 2003, MMS requests \$8.7 million to begin the first phase of a five-year plan to develop an E-government transformation initiative, an innovative web-based management information system. The goal is to provide secure, online access for States, industry, other Federal agencies, the public, and MMS employees to appropriate MMS information and business processes. The MMS will coordinate development of this system with BLM, which has responsibility for onshore oil and gas development.

Because offshore development activity is increasing, MMS is projecting a continuing decline in funding for its operations from offsetting receipts revenue. This revenue comes from rents on non-producing tracts. As tracts leased earlier move into production and lessees begin to pay royalties, they are no longer required to pay rent to MMS. To offset the anticipated decline in rents, the 2003 request includes an additional \$2.5 million in appropriated funding to maintain MMS's current program.

Minerals Revenue Management – In 2003, the total Minerals Revenue Management program is funded at \$83.3 million, the same as the 2002 level. The goal of the program is to ensure that revenue from Federal and Indian mineral leases are effectively, efficiently, and accurately collected, accounted for, and disbursed to recipients. These revenues, which have historically averaged between \$4 billion and \$6 billion per year, are distributed and disbursed to 38 States, 41 Indian Tribes, some 20,000 American Indian mineral royalty owners, and to U.S. Treasury accounts. In order to meet these responsibilities, the Department completed the three-year effort to re-engineer the operational systems of the royalty management program in 2001. In 2002, MMS requested funding to transition mission-critical legacy information technology systems to the newly re-engineered royalty management system. The re-engineered system is now operational. Consequently, the MMS budget reduces funding for the operation and maintenance of the legacy systems by \$3.0 million, while providing an increase of \$2.0 million to support its new information technology environment.

The MMS will also continue its commitment to exploring innovative frameworks for collecting Federal royalties by acquiring systems necessary to support taking some royalties in-kind rather than in-value. In 2002, MMS requested funding for the first of a two-phase initiative to procure a specialized computer system designed to manage the transactions involved in bringing natural gas to market. MMS is requesting \$6.0 million to procure the second phase of this system in 2003 for an oil/liquids management system.

Administrative Initiatives and Uncontrollable Costs – The request provides \$3.9 million to cover part of the uncontrollable costs. A total of \$2.7 million of the pay raise will be absorbed through efficiencies and a reprioritization of administrative activities. The MMS will generate \$300,000 in travel cost savings.

Oil Spill Research Program – This program supports oil pollution research and other duties related to oil spill prevention, as authorized by the Oil Spill Pollution Act of 1990. The program continues at the 2002 enacted funding level of \$6.1 million to ensure protection of OCS and coastal resources for future generations.

Government Performance and Results Act – The MMS's Annual Performance Plan for 2003 reflects the Department of the Interior's approach to improving and streamlining performance goals and measures, and to linking the plan with the budget. MMS's Annual Performance Report for 2001 presents MMS's accomplishments in 2001 and the bureau's plans for 2002.

The Department of the Interior is currently revising its strategic plan. Performance goals, measures, and targets presented in MMS's 2003 annual performance plan and last year's plan will be reviewed for consistency with the

revised Department of the Interior strategic plan. As a result of that review, it may be necessary or appropriate to modify portions of the 2002 or 2003 plans.

SUMMARY OF BUREAU APPROPRIATIONS
(all dollar amounts in thousands)

Comparison of 2003 Request with 2002 Enacted (without the CSRS/FEHB legislative proposal):

	2002 Enacted		2003 Request		Change from 2002	
	FTE	Amount	FTE	Amount	FTE	Amount
Appropriations						
Royalty and Offshore Minerals Management	1,753	150,667	1,726	164,222	-27	+13,555
Oil Spill Research	23	6,105	23	6,105	0	0
Subtotal, Direct Appropriations	1,776	156,772	1,749	170,327	-27	+13,555
Offsetting Collections	0	102,730	0	100,230	0	-2,500
Subtotal, Appropriations	1,776	259,502	1,749	270,557	-27	+11,055
Permanents and Trusts						
Mineral Leasing and Associated Payments	0	666,109	0	669,880	0	+3,771
Leases of Lands Acquired for Flood Control, Navigation, and Allied Purposes	0	924	0	951	0	+27
Nat'l. Forests Funds, Payments to State	0	3,416	0	3,475	0	+59
Subtotal, Permanents and Trusts	0	670,449	0	674,306	0	+3,857
TOTAL, MINERALS MANAGEMENT SERVICE ...	1,776	929,951	1,749	944,863	-27	+14,912

Comparison of 2003 Request with 2002 Enacted (with the CSRS/FEHB legislative proposal):

	2002 Enacted		2003 Request		Change from 2002	
	FTE	Amount	FTE	Amount	FTE	Amount
Appropriations						
Royalty and Offshore Minerals Management	1,753	160,786	1,726	174,640	-27	+13,854
All other appropriations	23	6,105	23	6,105	0	0
Subtotal, Direct Appropriations	1,776	166,891	1,749	180,745	-27	+13,854
Offsetting Collections	0	102,730	0	100,230	0	-2,500
Subtotal, Appropriations		269,621		280,975		+11,354
Permanents and Trusts	0	670,449	0	674,306	0	+3,857
TOTAL, MINERALS MANAGEMENT SERVICE ...	1,776	940,070	1,749	955,281	-27	+15,211

HIGHLIGHTS OF BUDGET CHANGES
By Appropriation Activity/Subactivity

APPROPRIATION: Royalty and Offshore Minerals Management

	<u>2001 Actual</u>	<u>2002 Enacted</u>	<u>2003 Request</u>	<u>Change from 2002 Enacted</u>
Outer Continental Shelf Lands				
Leasing & Environmental Program				
Appropriation	15,049	18,238	17,298	-940
Offsetting Collections	21,462	20,335	20,335	0
Total, Leasing & Environ. Prog.	36,511	38,573	37,633	-940
Resource Evaluation Program				
Appropriation	13,460	16,086	16,445	+359
Offsetting Collections	10,116	8,903	8,903	0
Total, Resource Evaluation Prog. ...	23,576	24,989	25,348	+359
Regulatory Program				
Appropriation	26,686	35,129	36,069	+940
Offsetting Collections	16,436	14,443	14,443	0
Total, Regulatory Program	43,122	49,572	50,512	+940
Information Management Program				
Appropriation	380	845	10,001	+9,156
Offsetting Collections	14,396	14,049	14,049	0
Total, Info. Mgmt. Program	14,776	14,894	24,050	+9,156
OCS Appropriation	55,575	70,298	79,813	+9,515
OCS Offsetting Collections	62,410	57,730	57,730	0
Subtotal, OCS Lands	117,985	128,028	137,543	+9,515
Royalty Management				
Compliance & Asset Management				
Appropriation	34,842	34,871	35,489	+618
Offsetting Collections	13,235	13,235	13,235	0
Total, Valuation & Operations	48,077	48,106	48,724	+618
Revenue & Operations				
Appropriation	24,784	21,973	21,295	-678
Offsetting Collections	13,250	13,250	13,250	0
Total, Compliance	38,034	35,223	34,545	-678
Indian Allottee Refunds				
Appropriation	0	0	0	0
Offsetting Collections	15	15	15	0
Total, Indian Allottee Refunds	15	15	15	0
Late Interest Payments				
Appropriation	0	0	0	0
Offsetting Collections	0	0	0	0
Total, Late Interest Payments	0	0	0	0
RM Appropriation	59,626	56,844	56,784	-60
RM Offsetting Collections	26,500	26,500	26,500	0
Subtotal, Royalty Management	86,126	83,344	83,284	-60

	<u>2001 Actual</u>	<u>2002 Enacted</u>	<u>2003 Request</u>	<u>Change from 2002 Enacted</u>
General Administration				
Executive Direction				
Appropriation	982	1,003	1,030	+27
Offsetting Collections	1,000	1,000	1,000	0
Total, Executive Direction	1,982	2,003	2,030	+27
Policy & Management Improvement				
Appropriation	2,981	3,036	3,095	+59
Offsetting Collections	1,000	1,000	1,000	0
Total, Policy & Mgmt. Improve.	3,981	4,036	4,095	+59
Administrative Operations				
Appropriation	12,607	14,415	15,083	+668
Offsetting Collections	1,555	1,555	1,555	0
Total, Admin. Operations	14,162	15,970	16,638	+668
General Support Services				
Appropriation	1,345	5,071	8,417	+3,346
Offsetting Collections	14,945	14,945	12,445	-2,500
Total, General Support Services	16,290	20,016	20,862	+846
GA Appropriation	17,915	23,525	27,625	+4,100
GA Offsetting Collections	18,500	18,500	16,000	-2,500
Subtotal, General Administration ..	36,415	42,025	43,625	+1,600
TOTAL (without CSRS/FEHB)	240,526	253,397	264,452	+11,055
Total Appropriation (without CSRS/FEHB)	133,116	150,667	164,222	+13,555
Total Offsetting Collections	107,410	102,730	100,230	-2,500
CSRS/FEHB legislative proposal	9,835	10,119	10,418	+299
TOTAL (with CSRS/FEHB)	250,361	263,516	274,870	+11,354
Total Appropriation (with CSRS/FEHB) ...	142,951	160,786	174,640	+13,854
Total Offsetting Collections	107,410	102,730	100,230	-2,500

Highlights of Budget Changes

Uncontrollable Cost Net Increases (non-add) Amount
[+6,641]

Outer Continental Shelf Lands

The MMS's Gulf of Mexico OCS Region is confronted with a steep increase in the level and complexity of work associated with offshore oil and gas activity. Near record numbers of deepwater rigs (44) are now drilling in the Gulf; in 2001 a total of 277 deepwater wells were drilled; up 22 percent in one year and up 85 percent in two years. The total number of all wells drilled in the Gulf rose to 1,408 in 2001; yet another new record. While there has been some fluctuation in the price of oil and some moderation in the pace of oil and gas activity, principally in shallow water, deepwater exploration has increased dramatically and is expected to remain at high levels and generate additional workload for the Minerals Management Service.

Leasing & Environment

-940

Increases are proposed for GOM workload (+940). In an effort to fund higher priority requirements, decreases are proposed for environmental studies (-\$2,200). Uncontrollable costs total \$686 of which \$364 are budgeted and \$322 are absorbed. The budget includes a reduction of \$44 for travel and transportation.

	<u>Amount</u>
Resource Evaluation	+359
Increases are proposed for GOM workload (+1,620). Due to higher priorities for oil and gas exploration and extraction, decreases are proposed for the Centers for Marine Resources and Environmental Technology in Mississippi (-800) and the Marine Minerals Technology Center in Alaska (-800). Uncontrollable costs total \$697 of which \$369 are budgeted and \$328 are absorbed. The budget includes a reduction of \$30 for travel and transportation.	
Regulatory	+940
Increases are proposed for GOM workload (+1,890). Due to higher priorities for oil and gas exploration and extraction, decreases are proposed for the Offshore Technology Research Center (-499) and the California office (-1,000). Uncontrollable costs total \$1,133 of which \$601 are budgeted and \$532 are absorbed. The budget includes a reduction of \$52 for travel and transportation.	
Information Management	+9,156
Increases are proposed to initiate the first phase of an E-government transformation initiative (+8,742) and for GOM workload (+250). Uncontrollable costs total \$328 of which \$175 are budgeted and \$153 are absorbed. The budget includes a reduction of \$11 for travel and transportation.	
Minerals Revenue Management	
Compliance & Asset Management	+618
Uncontrollable costs total \$1,286 of which \$681 are budgeted and \$605 are absorbed. The budget includes a reduction of \$63 for travel and transportation.	
Revenue & Operations	-678
Increases are proposed for the operation and maintenance of the reengineering initiative that was completed at the end of 2001 (+2,000). The transition of the MRM mission critical legacy systems to entirely new technologies, applications and processes emanating from the reengineering initiative has been completed thus allowing decreases (-\$3,003). Uncontrollable costs total \$722 of which \$383 are budgeted and \$339 are absorbed. The budget includes a reduction of \$58 for travel and transportation.	
General Administration	
Executive Direction	+27
Uncontrollable costs total \$70 of which \$36 are budgeted and \$34 are absorbed. The budget includes a reduction of \$9 for travel and transportation.	
Policy & Management Improvement	+59
Uncontrollable costs total \$130 of which \$68 are budgeted and \$62 are absorbed. The budget includes a reduction of \$9 for travel and transportation.	
Administrative Operations	+668
Increases are proposed to support the GOM workload initiative under the OCS Lands activity (+300). Uncontrollable costs total \$743 of which \$392 are budgeted and \$351 are absorbed. The budget includes a reduction of \$24 for travel and transportation.	
General Support Services	+846
Uncontrollable costs total \$846 all of which are budgeted.	

APPROPRIATION: Oil Spill Research

	<u>2001 Actual</u>	<u>2002 Enacted</u>	<u>2003 Request</u>	<u>Change from 2002 Enacted</u>
TOTAL APPROPRIATION	6,105	6,105	6,105	0