



MINERALS MANAGEMENT SERVICE

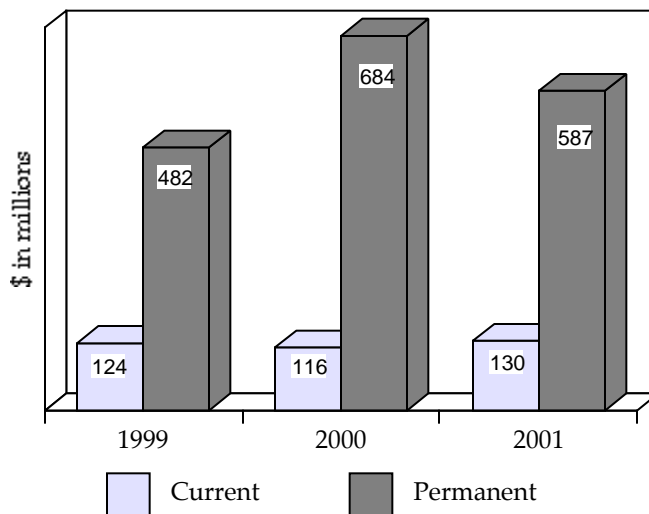
Mission – The Minerals Management Service was formed by Secretarial Order in 1982 to facilitate the Nation’s mineral revenue collection efforts and the management of its Outer Continental Shelf offshore lands. MMS has two major responsibilities: management of energy and mineral resources on the Nation’s 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’s programs are vitally important, contributing significantly to the Nation’s economic well-being and energy security. Energy production from the OCS continues to increase, thereby helping to limit 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, with over \$4 billion collected annually in revenues from minerals produced from offshore and onshore Federal and Indian Lands. This income directly reduces the Federal debt and funds other Federal agencies. In addition to Federal and tribal interests, MMS also supports States and local governments through revenue sharing and by providing OCS sand and gravel for beach nourishment projects. The growth in OCS rental revenues has permitted MMS to use receipts to cover nearly 50 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.

Budget Overview – The 2001 MMS budget request is \$247.7 million, a net increase of \$7.3 million above the 2000 enacted level of \$240.3 million. In 2001, offsetting receipts are estimated to be \$117.4 million, including \$10 million in new user fees. In addition to the current budget, three permanent appropriations totaling \$587.4 million provide States with their statutory shares of mineral leasing revenues generated on Federal lands.

The request for current direct appropriations is \$130.2

MMS Funding



million, an increase of \$13.9 million over the \$116.3 million enacted in 2000. Of this increase, \$7.3 million will enable MMS to fund uncontrollable cost increases and two small program increases, and \$6.6 million will maintain MMS’s current program by covering an anticipated decline in rental receipts.

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 resources. MMS’s OCS activities contribute to the Nation’s economic well-being and energy security. To carry out this goal, MMS reviews new exploration and development plans, examines pipeline right-of-way applications, conducts environmental assessments, and inspects equipment on-site.

MMS projects a decline in offsetting receipts revenue from rents on OCS lands. This decline will be due at least in part to the natural progression of resource development on OCS lands, particularly in deep water. MMS does not receive revenue from rents on OCS leases after production begins, so as tracts leased earlier move into production, leasees stop paying rent on their leases to MMS. At the same time, companies that hold producing

leases are unlikely to show strong interest in maintaining large inventories of new, non-producing tracts. This decline in new leases will lead to fewer bonus payments to the Treasury from lease auctions. These reductions affect MMS by reducing offsetting collections revenue while, at the same time, the volume and importance of MMS's OCS administrative and regulatory programs increase as deepwater OCS production increases.

As a result of declining offsetting receipts, the 2001 request includes \$6.6 million in additional appropriations. The request also includes a legislative proposal for \$10 million in additional revenue that would be derived by initiating new user fees on exploration, development, and production activities on OCS lands.

In 2001, the total OCS lands program level will be \$118.3 million, an increase of \$2.8 million over the 2000 enacted level. Of this increase, \$1.9 million covers uncontrollable costs. MMS proposes to eliminate \$600,000 in funding for Marine Minerals Resource Centers to complete the phase-out of this activity as planned in the 1996 transfer of the program from the Bureau of Mines. MMS plans to direct this \$600,000 in discontinued funding and \$218,000 in new funds toward replacing aging computer systems used to evaluate the adequacy of industry bids for OCS resources. Maintaining technological capacities that are competitive with those of industry is essential for ensuring that the public receives fair market value for OCS oil and gas resources when individual tracts are leased. These geological interpretive tools, or GIT systems, are at the end of their useful life and their replacement is critical to prevent bonus revenue from declining simply because MMS doesn't know what the resources it is selling are worth.

Royalty Management Program – In 2001, the total Royalty Management Program level will be \$86.3 million, an increase of \$1.9 million over the 2000 enacted level to cover uncontrollable costs. The goal of the Program is to

ensure that revenues from Federal and Indian mineral leases are effectively, efficiently, and accurately collected, accounted for, and disbursed to recipients. These revenues, which have historically averaged over \$4 billion per year, are distributed and disbursed to 38 states, 41 Indian Tribes, some 20,000 Indian mineral royalty owners, and to U.S. Treasury accounts. In order to meet these responsibilities, in 2001 RMP continues its commitment to royalty re-engineering. This project addresses all core RMP business processes, including the improvement of financial, accounting, compliance, and supporting computer systems, while reducing the likelihood of system failure and operational instability.

General Administration – In addition to a \$2.1 million increase for uncontrollable costs, a \$500,000 increase is proposed for 2001 to ensure compliance with the Royalty Simplification and Fairness Act. RSFA mandates a 33 month maximum processing time for appeals of royalty payment adjustments, which includes both MMS's processing of the appeal and the Interior Board of Land Appeals' hearing schedule. Current staff output would have to almost double in order to meet these new deadlines, so the increase will fund additional staff to shorten MMS's processing time.

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. It is continued at the 2000 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 2001 reflects the Department of the Interior's approach to improving and streamlining performance goals and measures, and to link the plan with the budget. MMS's Annual Performance Report for 1999 presents MMS's accomplishments in 1999 and the bureau's plans for 2000.

SUMMARY OF BUREAU APPROPRIATIONS
(all dollar amounts in thousands)

Comparison of 2001 Request with 2000 Enacted:

	2000 Enacted		2001 Request		Change From 2000	
	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>
Appropriations						
Royalty and Offshore Minerals Management	1,737	110,200	1,742	124,128	5	+13,928
Oil Spill Research.....	23	6,118	23	6,118	0	0
Subtotal, Direct Appropriations	1,760	116,318	1,765	130,246	5	+13,928
Offsetting Collections.....		124,000		117,410		-6,590
Subtotal, Appropriations.....		240,318		247,656		+7,338
Permanents and Other						
Mineral Leasing and Associated Payments.....	0	678,338	0	583,233	0	-95,105
Leases of Lands Acquired for Flood Control, Navigation, and Allied Purposes	0	1,094	0	783	0	-311
Nat'l. Forests Funds, Payments to States	0	4,505	0	3,347	0	-1,158
Subtotal, Permanents and Trusts	0	683,937	0	587,363	0	-96,574
TOTAL, MINERALS MANAGEMENT SERVICE	1,760	924,255	1,765	835,019	5	-89,236

HIGHLIGHTS OF BUDGET CHANGES
By Appropriation Activity/Subactivity

APPROPRIATION: Royalty and Offshore Minerals Management

	<u>1999 Actual</u>	<u>2000 Enacted</u>	<u>2001 Request</u>	<u>Change from 2000 Enacted</u>
Outer Continental Shelf Lands				
Leasing & Environmental Program				
Appropriation	12,087	9,406	12,261	+2,855
Offsetting Collections.....	23,265	26,483	24,283	-2,200
Total, Leasing & Environ. Prog.	35,352	35,889	36,544	655
Resource Evaluation Program				
Appropriation	10,448	9,268	12,391	+3,123
Offsetting Collections.....	12,085	13,633	11,433	-2,200
Total, Resource Evaluation Prog.	22,533	22,901	23,824	923
Regulatory Program				
Appropriation	17,221	17,837	21,264	+3,427
Offsetting Collections.....	22,907	24,377	21,917	-2,460
Total, Regulatory Program.....	40,128	42,214	43,181	967
Information Management Program				
Appropriation	2,447	0	0	0
Offsetting Collections.....	11,743	14,507	14,777	+270
Total, Info. Mgmt. Program	14,190	14,507	14,777	+270
Offshore Management Support				
Appropriation	0	0	0	0
Offsetting Collections.....	0	0	0	0
Total, Offshore Mgmt. Support	0	0	0	0
OCS Appropriation	42,203	36,511	45,916	+9,405
OCS Offsetting Collections	70,000	79,000	72,410	-6,590
Subtotal, OCS Lands	112,203	115,511	118,326	+2,815
Royalty Management				
Valuation & Operations				
Appropriation	25,623	26,053	26,852	+799
Offsetting Collections.....	8,250	13,250	13,250	0
Total, Valuation & Operations.....	33,873	39,303	40,102	+799
Compliance				
Appropriation	28,218	29,101	30,130	+1,029
Offsetting Collections.....	8,250	13,235	13,235	0
Total, Compliance.....	36,468	42,336	43,365	+1,029
Indian Allottee Refunds				
Appropriation	15	0	0	0
Offsetting Collections.....	0	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

	<u>1999 Actual</u>	<u>2000 Enacted</u>	<u>2001 Request</u>	<u>Change from 2000 Enacted</u>
Program Service Office				
Appropriation	2,583	2,708	2,775	+67
Offsetting Collections.....	0	0	0	0
Total, Program Service Office	2,583	2,708	2,775	+67
RM Appropriation.....				
RM Appropriation.....	56,439	57,862	59,757	+1,895
RM Offsetting Collections	16,500	26,500	26,500	0
Subtotal, Royalty Management	72,939	84,362	86,257	+1,895
General Administration				
Executive Direction				
Appropriation	1,870	921	984	+63
Offsetting Collections.....	0	1,000	1,000	0
Total, Executive Direction	1,870	1,921	1,984	+63
Policy & Management Improvement				
Appropriation	3,722	2,860	3,488	+628
Offsetting Collections.....	0	1,000	1,000	0
Total, Policy & Mgmt. Improve.....	3,722	3,860	4,488	+628
Administrative Operations				
Appropriation	12,092	12,046	12,635	+589
Offsetting Collections.....	500	1,555	1,555	0
Total, Admin. Operations.....	12,592	13,601	14,190	+589
General Support Services				
Appropriation	1,706	0	1,348	+1,348
Offsetting Collections.....	13,000	14,945	14,945	0
Total, General Support Services	14,706	14,945	16,293	+1,348
GA Appropriation				
GA Appropriation	19,390	15,827	18,455	+2,628
GA Offsetting Collections	13,500	18,500	18,500	0
Subtotal, General Administration ...	32,890	34,327	36,955	+2,628
TOTAL APPROPRIATION	218,032	234,200	241,538	+7,338

Highlights of Budget Changes

	<u>Amount</u>
Uncontrollable Cost Net Increases (non-add)	[+6,620]
OCS Lands	
Resource Evaluation Program	+923
<p>Includes a programmatic increase for annual hardware life-cycle expenditures for Geological Interpretive Tools (GIT) commensurate with a four to eight year life cycle. Maintaining competitive technological equipment with industry is essential to ensure that the public receives fair market value for Outer Continental Shelf oil and gas resources (+\$818). Funding for the Centers for Marine Resources and Environmental Technology (formerly Marine Minerals Resource Centers) will be discontinued as planned, resulting in a programmatic decrease (-\$600). Also included are uncontrollable cost increases (+\$705).</p>	
General Administration	
Policy and Management Improvement	+628
<p>Includes a programmatic increase necessary to implement the Royalty Simplification and Fairness Act (RSFA). RSFA mandates accelerated time deadlines and new settlement procedures for processing and resolving administrative royalty appeals. The proper and timely processing of the 455 pending royalty appeals is essential to ensure that the public receives fair market value for resources from public lands (+\$500). Also included are uncontrollable cost increases (+\$128).</p>	

APPROPRIATION: Oil Spill Research

	<u>1999 Actual</u>	<u>2000 Enacted</u>	<u>2001 Request</u>	<u>Change from 2000 Enacted</u>
TOTAL APPROPRIATION	6,118	6,118	6,118	0