MMS Fast Facts

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April 2009

How Federal Mineral Revenues Are Shared with the States

The Minerals Management Service (MMS) manages the Nation's energy and mineral resources on the Federal Outer Continental Shelf (OCS) and the mineral revenues from Federal OCS and Federal and Indian lands onshore. The MMS is one of America's leading mineral asset managers. From the gasoline that powers our cars, the oil and natural gas that heats our homes, to funds collected and disbursed from mineral leasing activities, the Nation and its citizens benefit from the efforts of MMS.

The MMS manages activities that generate about 27 percent of America's domestic oil production, 15 percent of domestic natural gas production, and an average of $13 billion in annual revenue for the Nation, States, and American Indians. Both of these functions are important to the Nation's economic health and are key to meeting our energy needs.

Each month, the MMS processes approximately $1 billion (mostly via electronic funds transfers) of initial sale bonuses, annual rents and/or monthly royalties from over 67,000 leases which can amount to several billion dollars each year -- an amount that peaked to more than $23 billion in FY 2008 and has averaged approximately $13 billion during the past 5 years. Totals fluctuate with market prices, amount of production, and the number of lease sales.

Last year's April 2008, *MMS Fast Facts* provided information on how Federal mineral revenues are generated. To view the April 2008 *MMS Fast Fasts* click here. This month, we are providing information on how these Federal revenues are shared with the States.

Over the years, legislation has been enacted establishing mineral revenue sharing programs with states that have onshore energy development within their boundaries and for coastal states that have energy development in the Federal OCS adjacent to their shorelines. Provided below is a description of various revenue sharing programs that the U.S. Department of Interior is authorized by statute to implement.

Onshore Revenue Sharing

Under the Mineral Leasing Act, States with Federal mineral leases located within their state boundaries receive 50 percent of the mineral revenues generated from those leases. The State of Alaska receives 90 percent. Each month 50 percent of the mineral revenues are disbursed by the MMS to the States. In addition, 40 percent of revenues associated with onshore Federal leases are disbursed to the Reclamation Fund (except in Alaska) and 10 percent of the revenues are disbursed to the U.S. Treasury's General Fund. In FY

2008, MMS disbursed $23.4 billion to 35 states. To see a state by state breakdown, click here.

Offshore Revenues Sharing

Congress has mandated three Outer Continental Shelf revenue sharing programs.

8(g)

The OCS Lands Act amendments of 1986 mandated the Federal government share with affected coastal States 27 percent of revenues generated from oil and natural gas leases located in the federal "8 (g) zone". The Energy Policy Act of 2005 expanded revenue sharing in the 8(g) zone to include 27 percent of the revenues generated from renewable energy leases. The 8(g) zone is three miles wide and is located directly adjacent to a State's seaward boundary.

In FY 2008, MMS disbursed $103.6 million in 8(g) oil and gas revenues to seven coastal states.

- Alabama: $15.0 million
- Alaska: $17.8 million
- California: $11.0 million
- Louisiana: $45.8 million
- Texas: $13.3 million
- Mississippi: $ 564,068
- Florida: $ 83

The Coastal Impact Assistance Program (CIAP)

The Coastal Impact Assistance program was established under the Energy Policy Act of 2005. This grant program was authorized to distribute to producing States with an approved CIAP State Plan and their qualified political subdivisions $250 million for each fiscal year 2007 through 2010. This revenue will be shared among Alabama, Alaska, California, Louisiana, Mississippi, and Texas.

To learn more about CIAP please click here.

The Gulf of Mexico Energy Security Act of 2006

The Gulf of Mexico Energy Security Act of 2006 (GOMESA), established a revenue sharing program for four coastal producing states in the Gulf of Mexico – Alabama, Louisiana, Mississippi and Texas – and their qualified coastal political subdivisions. There are two phases: (1) Starting in fiscal year 2007, these four states are to receive 37.5 percent of the oil and gas revenues generated from leases issued in two areas of the Gulf of Mexico where sales were mandated in the Eastern and Central Gulf of Mexico Planning Areas; and (2) Beginning in fiscal year 2017, the four states will share 37.5 percent of all qualified OCS revenues from all Gulf of Mexico leases issued after

December 20, 2006, in areas available for leasing at the time of enactment. Payments to States are paid annually, in the fiscal year following the fiscal year the qualified revenue is generated. In March 2009, $25 million of GOMESA qualified revenues from bonuses and first year rental payments from leases issued in fiscal year 2008 were disbursed.

- Alabama: $7.7 million
- Louisiana: $7.9 million
- Mississippi: $6.8 million
- Texas: $2.6 million

To learn more about the Gulf of Mexico Security Act please click here.

In addition, OCS revenues are the primary of funding source for the Land and Water Conservation Fund and the sole source for the National Historic Preservation Fund. Both of these Funds provide money to all 50 states.

In Fiscal Year 2008 MMS collected approximately $5.5 billion from onshore federal leases and approximately $18 billion from Federal OCS leases.

To view all the previous *MMS Fast Facts* please click here.

To find out more information about MMS and its programs, please contact the MMS Office of Congressional Affairs at (202) 208-3502; or visit our websites:
MMS at http://www.mms.gov ,
Mineral Revenue Management Program at http://www.mrm.mms.gov/,
Offshore Energy and Minerals Management Program at http://www.mms.gov/offshore/