

DEPARTMENT OF ENERGY  
FY 2002 CONGRESSIONAL BUDGET REQUEST  
ELK HILLS SCHOOL LANDS FUND  
Proposed Appropriation Language

For necessary expenses in fulfilling installment payments under the Settlement Agreement entered into by the United States and the State of California on October 11, 1996, as authorized by section 3415 of Public Law 104–106, \$36,000,000, [ to become available on October 1, 2001] for payment to the State of California for the State Teachers’ Retirement Fund from the Elk Hills School Lands Fund: *Provided, That the budget authority (and the outlays resulting therefrom) for \$36,000,000 provided under this heading in fiscal year 2001, to be available as an advance appropriation in fiscal year 2002, shall be considered direct spending in fiscal year 2002 for purposes of the Balanced Budget and Emergency Deficit Control Act of 1990, as amended, and section 2(a) of Public Law 106–554. (Department of the Interior and Related Agencies Appropriations Act, 2001.)*

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(Tabular dollars in thousands, narrative in whole dollars)

Elk Hills School Lands Fund

**I. Mission Supporting Goals and Objectives:**

Pursuant to Public Law 104-106, the National Defense Authorization Act (the Act) for FY 1996, DOE offered Naval Petroleum Reserve Numbered 1 (NPR-1 or Elk Hills) for sale. Section 3415 of the Act required, among other things, that the Department make an offer of settlement to the State of California with respect to its longstanding claims to two parcels of land ("school lands") within NPR-1. The Act also provided for nine percent of the net sales proceeds to be reserved in a contingent fund in the Treasury for payment to the State, subject to appropriation. The Department's estimate of nine percent of the net sales proceeds is \$324 million, of which \$298 million has already been deposited into the contingent fund. The Department will adjust the amount in the contingent fund once all divestment related costs have been paid.

In compliance with the Act and in order to remove any cloud over title which could diminish the sale value of the Reserve, the Department entered into a Settlement Agreement with the State on October 11, 1996. The Agreement calls for payment from the contingent fund to the State, subject to appropriation, of nine percent of the net sales proceeds, payable over a seven-year period (without interest), commencing in Fiscal Year 1999. Under the Settlement Agreement, the first five installments are for \$36,000,000 each year, and the remaining balance is to be paid in two equal installments in years six and seven.

The first installment payment was appropriated in FY 1999. No appropriation was provided in FY 2000, but the FY 2000 Interior and Related Agencies Appropriations Act provided an advance appropriation of \$36 million to become available in FY 2001. The FY 2001 Interior & Related Agencies Appropriations Act provided an advance appropriation of \$36 million to become available in FY 2002. The FY 2002 budget requests \$36 million in new budget authority for FY 2002, and proposes that the FY 2002 appropriation be direct spending.

II. A. Funding Table: Elk Hills School Lands Fund

Program Activity	FY 2000 Enacted	FY 2001 Enacted	FY 2002 Request	\$ Change	% Change
Installment Payment .....	\$ 0	\$ 36,000	\$ 36,000	\$ 0	0%
Total, Elk Hills School Lands Fund .....	\$ 0	\$ 36,000	\$ 36,000	\$ 0	0%

II. B. Laboratory and Facility Funding Schedule: Elk Hills School Lands Fund

Program Activity	FY 2000 Enacted	FY 2001 Enacted	FY 2002 Request	\$ Change	% Change
State of California	\$ 0	\$ 36,000	\$ 36,000	\$ 0	0%
Total, Elk Hills School Lands Fund	\$ 0	\$ 36,000	\$ 36,000	\$ 0	0%

III. Performance Summary: Elk Hills School Lands Fund

Program Activity	FY 2000	FY 2001	FY 2002
Installment Payment	<p>The appropriation delayed payment of the second installment until on or about October 1, 2000. The Agreement calls for payment to the State of nine percent of the net sales proceeds, payable over a seven-year period, without interest. The first five installments are for \$36 million each year, and any remaining balance is to be paid in two equal installments in years six and seven.</p>	<p>Provides funding for payment to the State for fiscal year 2002 to be paid on or about October 1, 2001. The Agreement calls for payment to the State of nine percent of the net sales proceeds, payable over a seven-year period, without interest. The first five installments are for \$36 million each year, and any remaining balance is to be paid in two equal installments in years six and seven.</p>	<p>Provides funding for payment to the State for fiscal year 2003. The Agreement calls for payment to the State of nine percent of the net sales proceeds, payable over a seven-year period, without interest. The first five installments are for \$36 million each year, and any remaining balance is to be paid in two equal installments in years six and seven.</p>
Total, Elk Hills School Lands	\$0	\$36,000	\$36,000