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# Ocean Energy Agency Appropriations, FY2016

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## Summary

This report discusses FY2016 appropriations for the Department of the Interior's (DOI's) Bureau of Ocean Energy Management (BOEM), Bureau of Safety and Environmental Enforcement (BSEE), and Office of Natural Resources Revenue (ONRR)—the three agencies that collectively administer federal ocean energy resources covering more than 1.7 billion acres on the U.S. outer continental shelf (OCS). These agencies were established in a departmental reorganization following the *Deepwater Horizon* oil spill of April 2010; prior to the spill, the nation's OCS energy resources were administered by DOI's Minerals Management Service. Under the reorganization, BOEM administers offshore energy leasing, BSEE oversees offshore operational safety and environmental responsibility, and ONRR manages public revenues from federally regulated offshore and onshore energy projects. BOEM, BSEE, and ONRR receive appropriations in the annual Interior, Environment, and Related Agencies appropriations bill.

BOEM's and BSEE's operations are funded both by discretionary appropriations from general funds of the Treasury and by the authority to expend offsetting collections derived from a portion of OCS rental receipts and cost recovery fees (and, for BSEE, inspection fees). The initial discretionary appropriation for each fiscal year to each agency is reduced by the amount of eligible receipts and fees that are collected, so that the final amount appropriated to BOEM and BSEE is the net of those collections. ONRR does not receive funding through offsetting collections.

For FY2016, the Obama Administration requested total appropriations of \$170.9 million for BOEM, \$204.7 million for BSEE, and \$128.7 million for ONRR. The BOEM total included an estimated \$96.6 million in offsetting collections, for a net appropriation of \$74.2 million. The BSEE total included an estimated \$122.2 million in offsetting collections, for a net appropriation of \$82.5 million. The requests for all three agencies represented increases from enacted FY2015 appropriations—a requested increase of 2.5% for BOEM (for the net appropriation after offsets), 1.7% for BSEE (for the net appropriation after offsets), and 5.8% for ONRR.

P.L. 114-113, the Consolidated Appropriations Act, 2016, signed into law on December 18, 2015, provided FY2016 appropriations for BOEM, BSEE, and ONRR. For BOEM, the law contained total appropriations of \$170.9 million, with \$96.6 million derived from offsetting collections, for a net appropriation of \$74.2 million. The net appropriation was the same as the agency's request and was \$1.8 million (2.5%) more than the FY2015 enacted appropriation. For BSEE, P.L. 114-113 contained total appropriations of \$204.7 million, with \$116.2 million derived from offsetting collections, for a net appropriation of \$88.5 million. The net appropriation was \$6.0 million higher than the agency's request and \$7.4 million (9.2%) higher than the FY2015 enacted appropriation. For ONRR, P.L. 114-113 contained appropriations of \$125.5 million, which was \$3.2 million less than the agency's request and \$3.9 million (3.2%) more than the FY2015 enacted amount.

Earlier, the House and Senate Appropriations Committees each reported an appropriations bill for Interior, Environment, and Related Agencies—H.R. 2822 in the House and S. 1645 in the Senate—but no regular appropriations act for FY2016 was enacted prior to the end of FY2015. A series of laws (P.L. 114-53, P.L. 114-96, and P.L. 114-100) continued appropriations for ocean energy agencies at FY2015 enacted levels, minus a 0.2108% rescission, until full-year FY2016 appropriations were enacted in P.L. 114-113.

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Three agencies in the Department of the Interior (DOI) share responsibility for managing the nation's ocean energy resources, which cover approximately 1.7 billion acres on the U.S. outer continental shelf (OCS).<sup>1</sup> The Bureau of Ocean Energy Management (BOEM) administers offshore energy leasing; the Bureau of Safety and Environmental Enforcement (BSEE) oversees offshore operational safety and environmental responsibility; and the Office of Natural Resources Revenue (ONRR) manages public revenues from federally regulated offshore and onshore energy projects.<sup>2</sup> BOEM, BSEE, and ONRR receive appropriations in the annual Interior, Environment, and Related Agencies appropriations bill.

This report discusses FY2016 appropriations for the three agencies, including the Obama Administration's funding request for each agency and subsequent congressional action. P.L. 114-113, the Consolidated Appropriations Act, 2016, signed into law on December 18, 2015, provided FY2016 appropriations for BOEM, BSEE, and ONRR. Earlier, the House and Senate Appropriations Committees each reported an appropriations bill for Interior, Environment, and Related Agencies—H.R. 2822 in the House and S. 1645 in the Senate—but no regular appropriations act for FY2016 was enacted prior to the end of FY2015. A series of laws (P.L. 114-53, P.L. 114-96, and P.L. 114-100) continued appropriations for ocean energy agencies at FY2015 enacted levels, minus a 0.2108% rescission, until full-year FY2016 appropriations were enacted in P.L. 114-113.

## Bureau of Ocean Energy Management<sup>3</sup>

BOEM manages U.S. offshore oil and gas leasing, renewable energy development, and marine mineral leasing, with a mission to balance national interests in energy supply and environmental protection.<sup>4</sup> BOEM's responsibilities include developing a five-year offshore oil and gas leasing program, managing oil and gas lease sales and marine mineral agreements, reviewing exploration and development plans, facilitating renewable energy development on the OCS, conducting resource evaluations and economic analysis, and performing environmental reviews, among others.

BOEM's operations are funded both by discretionary appropriations under the agency's Ocean Energy Management account and by the authority to expend offsetting collections derived from a portion of OCS rental receipts and cost recovery fees.<sup>5</sup> The initial discretionary appropriation for

<sup>1</sup> The U.S. outer continental shelf (OCS) consists of submerged lands, subsoil, and seabed that lie beyond the outer seaward reaches of a state's jurisdiction and are subject to U.S. jurisdiction (43 U.S.C. §1331[a]). For more information on domestic and international ocean jurisdictions, see CRS Report RL33404, *Offshore Oil and Gas Development: Legal Framework*, by Adam Vann.

<sup>2</sup> BOEM, BSEE, and ONRR were established in a departmental reorganization following the *Deepwater Horizon* oil spill of April 2010. Prior to the spill, the nation's OCS energy resources were administered by the Minerals Management Service (MMS). An interim agency, the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE), replaced MMS directly after the spill. The current structure of three agencies has been in place since October 2012.

<sup>3</sup> This section was prepared by Laura Comay, Analyst in Natural Resources Policy.

<sup>4</sup> 43 U.S.C. §1344(a)(3).

<sup>5</sup> Language in annual appropriations acts since 1995 has contained authority for BOEM or its predecessor organizations to retain rental revenues above the \$3.00/acre rate in effect on August 5, 1993, up to an annual cap, to fund current operations. The provisions also have allowed BOEM to use cost recovery fees authorized under the Outer Continental Shelf Lands Act (43 U.S.C. §§1131 ff.) to partially fund mission-related activities. For more information, see BOEM, *Budget Justifications and Performance Information: Fiscal Year 2016*, pp. 127-128, at <http://www.boem.gov/BOEM-FY-2016-Budget-Justification/>.

each fiscal year is reduced by the amount of eligible receipts and fees that are collected, so that the final amount appropriated to BOEM is the net of those collections.

For FY2016, the Obama Administration requested total appropriations of \$170.9 million for BOEM, of which \$96.6 million would be derived from offsetting collections, for a net appropriation of \$74.2 million (Table 1). The total request (including offsetting collections) was \$1.1 million higher (+0.6%) than the total FY2015 enacted amount. The net requested appropriation was \$1.8 million higher (+2.5%) than the FY2015 net amount of \$72.4 million.

**Table 1. Appropriations for the Bureau of Ocean Energy Management (BOEM), FY2015-FY2016**

(\$ in millions)

BOEM	FY2015 Enacted	FY2016 Request	House Comm. Bill (H.R. 2822)	Senate Comm. Bill (S. 1645)	FY2016 Approps. Act (P.L. 114-113)	P.L. 114-113 Change from FY2015	
						\$	%
Ocean Energy Management							
—Renewable Energy	23.1	24.3	23.1	24.3	24.3	+1.2	+5.1%
—Conventional Energy	49.6	59.9	49.6	59.9	59.9	+10.2	+20.6%
—Environmental Assessment	65.7	68.0	63.2	68.0	68.0	+2.3	+3.6%
—General Support Services <sup>a</sup>	15.0	—	15.0	—	—	-15.0	-100.0%
—Executive Direction	16.3	18.7	16.3	18.7	18.7	+2.3	+14.4%
Subtotal	169.8	170.9	167.3	170.9	170.9	+1.1	+0.6%
Offsetting Rental Receipts	-94.9	-93.0	-93.0	-93.0	-93.0	+1.9	+2.0%
Cost Recovery Fees	-2.5	-3.7	-3.7	-3.7	-3.7	-1.2	-47.6%
Subtotal, Offsetting Collections	-97.3	-96.6	-96.6	-96.6	-96.6	+0.7	+0.7%
<b>Net Appropriations</b>	<b>72.4</b>	<b>74.2</b>	<b>70.6</b>	<b>74.2</b>	<b>74.2</b>	<b>+1.8</b>	<b>+2.5%</b>

**Source:** H.Rept. 114-170 on H.R. 2822; S.Rept. 114-70 on S. 1645; P.L. 114-113, Joint Explanatory Statement, Division G, at <https://rules.house.gov/bill/114/hr-2029-sa>.

**Notes:** Figures may not sum precisely due to rounding.

- a. BOEM's FY2016 budget request proposed that the General Support Services budget activity be eliminated and its funding redistributed among the specific supported activities. P.L. 114-113 reflected this request.

On June 18, 2015, the House Appropriations Committee reported its Interior appropriations bill, H.R. 2822, with total appropriations of \$167.3 million for BOEM, offset by the rental receipt and fee collections described above, for a net appropriation of \$70.6 million. The House committee's total appropriation was \$2.5 million less than the FY2015 enacted total and \$3.6 million less than the agency request. Comparing the net appropriations after offsets, the House committee's amount was \$1.8 million less than the FY2015 enacted net appropriation and \$3.6 million less than the agency request.

On June 23, 2015, the Senate Appropriations Committee reported its Interior appropriations bill, S. 1645. The Senate committee bill contained total appropriations of \$170.9 million for BOEM, offset by the rental receipt and fee collections described above, for a net appropriation of \$74.2 million. The total appropriation was the same as the Administration's request and an increase of \$1.1 million over FY2015. Comparing the net appropriations after offsets, the Senate committee

amount was \$1.8 million more than the FY2015 enacted net appropriation and the same as the agency request.

On December 18, 2015, the President signed into law P.L. 114-113, containing FY2016 appropriations for BOEM. The law provided the same amounts as in the Senate committee bill and the agency request.

## BOEM Budget Accounts

BOEM's appropriations are contained in a single budget account, titled Ocean Energy Management.<sup>6</sup> Within this account, the Conventional Energy budget activity funds development and administration of the agency's oil and gas leasing program, including the development of forward-looking five-year leasing plans.<sup>7</sup> In January 2015, BOEM published its draft proposed oil and gas leasing program (DPP) for 2017-2022, which includes 3 proposed lease sales in the Alaska region and 1 in the Atlantic region, as well as 10 proposed sales in the Gulf of Mexico.<sup>8</sup> Appropriations for the Conventional Energy activity also go toward BOEM's administration of lease sales under the current oil and gas leasing program for 2012-2017.<sup>9</sup> Other BOEM Conventional Energy activities include managing existing leases, reviewing exploration and development/production plans, administering risk management and financial responsibility programs, evaluating ocean resources, mapping the OCS, and administering the Marine Minerals Program,<sup>10</sup> among others.

A different budget activity under the Ocean Energy Management account, the Renewable Energy activity, supports BOEM's management of renewable ocean energy resources under Section 388 of P.L. 109-58, the Energy Policy Act of 2005. Under this activity, BOEM has planned and conducted wind energy lease sales in the Atlantic<sup>11</sup> and has issued seven commercial wind energy leases offshore (in Delaware, Maryland, Massachusetts, Rhode Island, and Virginia). No commercial production of U.S. offshore wind energy has yet occurred, although one project off of

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<sup>6</sup> This report's descriptions of BOEM's budget activities are drawn from BOEM, *Budget Justifications and Performance Information: Fiscal Year 2016*, at <http://www.boem.gov/BOEM-FY-2016-Budget-Justification/>, and from other sources.

<sup>7</sup> Under Section 18 of the Outer Continental Shelf Lands Act (OCSLA), 43 U.S.C. §§1331 ff., the Secretary of the Interior is to prepare and submit to Congress an oil and gas leasing schedule to implement the policies of the act. This schedule indicates the location of leasing activity that the Secretary determines will best meet national energy needs for the five-year period following the schedule's approval.

<sup>8</sup> BOEM, *2017-2022 Outer Continental Shelf Oil and Gas Leasing: Draft Proposed Program*, January 2015, at <http://www.boem.gov/2017-2022-DPP/>. Members of Congress, state governors, and other stakeholders have commented on the DPP, and legislation has been introduced in the 114<sup>th</sup> Congress that would modify the 2017-2022 DPP in various ways.

<sup>9</sup> BOEM, *Proposed Final Outer Continental Shelf Oil & Gas Leasing Program, 2012-2017*, June 2012, at [http://www.boem.gov/uploadedFiles/BOEM/Oil\\_and\\_Gas\\_Energy\\_Program/Leasing/Five\\_Year\\_Program/2012-2017\\_Five\\_Year\\_Program/PFP%2012-17.pdf](http://www.boem.gov/uploadedFiles/BOEM/Oil_and_Gas_Energy_Program/Leasing/Five_Year_Program/2012-2017_Five_Year_Program/PFP%2012-17.pdf). Legislation also has been introduced in the 114<sup>th</sup> Congress to modify the current program in various ways.

<sup>10</sup> The Marine Minerals Program addresses the development of all OCS minerals other than oil, gas, and sulfur under Section 8(k) of OCSLA.

<sup>11</sup> Most recently, on November 9, 2015, BOEM held a wind energy lease sale covering approximately 344,000 acres offshore of New Jersey (see BOEM, "New Jersey Activities," at <http://www.boem.gov/New-Jersey/>). Two companies submitted winning bids collectively totaling \$1.9 million. Additionally, on September 18, 2015, BOEM announced a revised environmental assessment for wind energy areas off of North Carolina, allowing the agency to move forward with its process for considering a renewable energy lease sale in those areas (see BOEM, "North Carolina Activities," at <http://www.boem.gov/North-Carolina/>).

Rhode Island reportedly has begun construction.<sup>12</sup> For FY2016, in the joint explanatory statement to P.L. 114-113, Congress directed that BOEM should “continue working with coastal States and other stakeholders to study new wind energy areas, including those in shallow, transitional, and deep (over 200 feet) waters” and that the agency should also “continue to work with the Department of Energy to identify and permit a national offshore wind test site that incorporates new technology related to the structural material of transitional depth and floating wind turbines.”<sup>13</sup> BOEM has identified wind, wave, and ocean current energy as offering the greatest potential among renewables for OCS development in the foreseeable future,<sup>14</sup> and it also has issued research leases and grants for hydrokinetic energy research and testing projects under the Renewable Energy activity. Other responsibilities include data collection and stakeholder engagement related to renewable energy efforts.

BOEM’s Environmental Assessment budget activity (referred to in agency budget documents as Environmental Programs) supports BOEM’s responsibilities for assessing the environmental impacts of ocean energy activities and providing environmental safeguards. BOEM coordinates with BSEE in managing OCS environmental programs. Under the National Environmental Policy Act of 1969 (NEPA),<sup>15</sup> as well as the Outer Continental Shelf Lands Act (OCSLA)<sup>16</sup> and other statutes, BOEM must conduct environmental assessments of proposed ocean activities such as geological and geophysical (G&G) exploration, five-year leasing programs, lease sales, exploration plans, and development and production plans. For example, BOEM studied the environmental impacts of G&G seismic surveys in the Atlantic Ocean and approved such surveys in summer 2014.<sup>17</sup> This budget activity also supports BOEM’s collaboration with other research agencies to develop scientific knowledge of the OCS.

BOEM’s General Support Services (GSS) and Executive Direction budget activities cover general administrative expenses and overhead (such as rent, telecommunications, and information technology) and the agency’s executive offices (such as the Office of the Director, the Office of Congressional Affairs, and others). The GSS activity was eliminated in FY2016 appropriations, as discussed in the following section.

## Proposed Budgetary Changes

In its budget request, BOEM proposed a realignment of its budget activities to eliminate the GSS activity, which partially funds the agency’s administrative and shared support services. BOEM proposed to redistribute the administrative functions to the specific budget activities that are supported, with corresponding increases in funding for those activities. P.L. 114-113 adopted BOEM’s proposal to eliminate the GSS activity, with corresponding increases as requested by BOEM to reflect the redistributed costs under other activities.

<sup>12</sup> See, e.g., Joby Warrick, “A Milestone for Wind Energy: Work Underway on First Offshore Platforms in U.S. Waters,” *Washington Post*, July 27, 2015, at <http://www.washingtonpost.com/news/energy-environment/wp/2015/07/27/a-milestone-for-wind-energy-work-underway-on-first-offshore-platforms-in-u-s-waters/>.

<sup>13</sup> P.L. 114-113, Joint Explanatory Statement, Division G, p. 23, at <https://rules.house.gov/bill/114/hr-2029-sa>.

<sup>14</sup> See BOEM, *Budget Justifications and Performance Information: Fiscal Year 2016*, pp. 39-40, at <http://www.boem.gov/BOEM-FY-2016-Budget-Justification/>.

<sup>15</sup> 42 U.S.C. §§4321-4347. For an overview of NEPA requirements, see CRS Report RL33152, *The National Environmental Policy Act (NEPA): Background and Implementation*, by Linda Luther.

<sup>16</sup> 43 U.S.C. §§1331 ff.

<sup>17</sup> BOEM, *Record of Decision: Atlantic OCS Proposed Geological and Geophysical Activities, Mid-Atlantic and South Atlantic Planning Areas, Final Programmatic Environmental Impact Statement*, July 2014, at <http://www.boem.gov/Record-of-Decision-Atlantic-G-G/>.

Separate from the budgetary realignment, BOEM requested additional funding increases in the following areas:

- \$2.5 million for the Risk Management Program (in the Conventional Energy budget activity), to pursue a more proactive approach to identifying and mitigating financial liabilities. The agency would use the funds to hire or contract with experts in insurance risk analysis and credit analysis, among other areas.
- \$1.1 million across multiple budget activities (Conventional Energy, Environmental Assessment, and Executive Direction) for staffing increases. The agency stated that additional staffing was needed to accommodate a significant increase in the number of deepwater drilling plans BOEM must review, as well as changes to the plan review process.
- \$0.5 million for collaborative efforts on ecosystem science (in the Environmental Assessment budget activity), to support the agency's engagement in the Arctic Council and to increase its expertise on climate change resilience and adaptation.

P.L. 114-113 included the requested amounts. BOEM also proposed a general programmatic reduction of \$384,000 in administrative savings, as well as a reduction of \$2.5 million within the Environmental Assessment activity, marking the end of a one-time appropriation in FY2015 to complete a programmatic environmental impact statement (PEIS) for the agency's 2017-2022 DPP (see "BOEM Budget Accounts," above). P.L. 114-113 reflected both reductions.

## **Bureau of Safety and Environmental Enforcement<sup>18</sup>**

BSEE provides oversight of oil and gas exploration, development, and production on the OCS. Its mission is to promote safety, protect the environment, and conserve resources offshore through regulatory oversight and enforcement. BSEE's functions include issuing permits for oil and gas operations, inspecting facilities, developing regulations and standards, conducting research and collecting data on offshore safety, assessing technology, and overseeing industry oil spill prevention and readiness activities, among other responsibilities.

Similar to BOEM, BSEE's operations are funded both by discretionary appropriations under the agency's Offshore Safety and Environmental Enforcement and Oil Spill Research accounts and by a portion of OCS rental receipts, cost recovery fees, and inspection fees,<sup>19</sup> which are treated as offsetting collections in the BSEE budget.

For FY2016, the Obama Administration requested total appropriations of \$204.7 million for BSEE, of which \$122.2 million would be derived from offsetting collections of OCS rental receipts, cost recovery fees, and inspection fees, for a net appropriation of \$82.5 million (see **Table 2**). The total request (including offsetting collections) was nearly level with the FY2015 enacted total. The requested net appropriation was \$1.4 million higher (+1.7%) than the FY2015 enacted net amount of \$81.0 million.

The House Appropriations Committee's Interior appropriations bill, H.R. 2822, contained total appropriations of \$203.3 million for BSEE, offset by rental receipt and fee collections of \$116.2 million, for a net appropriation of \$87.0 million. The House committee's total appropriation for

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<sup>18</sup> This section was prepared by Laura Comay, Analyst in Natural Resources Policy.

<sup>19</sup> Annual appropriations laws have directed that total BSEE appropriations are to be reduced by amounts collected by DOI and credited to the BSEE appropriation from certain rental receipts and cost recovery fees (see footnote 5 for more information). In addition, BSEE's offsetting collections include inspection fees, although BOEM's do not.



BSEE was \$1.4 million less than the FY2015 enacted total and \$1.4 million less than the agency’s FY2016 request. Although the House committee’s *total* BSEE appropriation was less than the FY2015 enacted amount and the agency’s FY2016 request, its *net* appropriation was \$6.0 million more than the FY2015 enacted amount and \$4.6 million more than the agency’s request. The net appropriation was higher because the House committee estimated BSEE’s offsetting collections to be lower than the offsetting collections in both FY2015 and BSEE’s FY2016 request.<sup>20</sup> The Senate Appropriations Committee also used the lower estimate for offsetting collections.

**Table 2. Appropriations for the Bureau of Safety and Environmental Enforcement (BSEE), FY2015-FY2016**

(\$ in millions)

BSEE	FY2015 Enacted	FY2016 Request	House Comm. Bill (H.R. 2822)	Senate Comm. Bill (S. 1645)	FY2016 Approps. Act (P.L. 114-113)	P.L. 114-113 Change from FY2015		
						\$	%	
Offshore Safety and Environmental Enforcement (OSEE)								
—Environmental Enforcement <sup>a</sup>	8.3	—	8.3	—	8.3	—	—	
—Operations, Safety, and Regulation	133.6	151.8	133.1	151.8	145.0	+11.4	+8.5%	
—Administrative Operations	15.7	18.3	15.7	18.3	18.3	+2.6	+16.5%	
—General Support Services <sup>b</sup>	13.9	—	13.9	—	—	-13.9	-100.0%	
—Executive Direction	18.2	19.7	17.4	19.7	18.2	+<0.1	+<0.1%	
Subtotal <sup>c</sup>	189.7	189.8	188.4	189.8	189.8	+<0.1	+<0.1%	
Offsetting Rental Receipts	-50.4	-49.4	-49.4	-49.4	-49.4	+1.0	+2.0%	
Inspection Fees	-65.0	-65.0	-59.0	-59.0	-59.0	+6.0	+9.2%	
Cost Recovery Fees	-8.2	-7.8	-7.8	-7.8	-7.8	+0.4	+4.4%	
Subtotal, Offsetting Collections	-123.6	-122.2	-116.2	-116.2	-116.2	+7.4	+6.0%	
Net Appropriation, OSEE	66.1	67.6	72.1	73.6	73.6	+7.4	+11.2%	
Oil Spill Research	14.9	14.9	14.9	14.9	14.9	—	—	
<b>Net Appropriation</b>	<b>81.0</b>	<b>82.5</b>	<b>87.0</b>	<b>88.5</b>	<b>88.5</b>	<b>+7.4</b>	<b>+9.2%</b>	

**Source:** H.Rept. 114-170 on H.R. 2822; S.Rept. 114-70 on S. 1645; P.L. 114-113, Joint Explanatory Statement, Division G, at <https://rules.house.gov/bill/114/hr-2029-sa>.

**Notes:** Figures may not sum precisely due to rounding.

- a. BSEE’s FY2016 budget request proposed that the Environmental Enforcement activity be consolidated into the Operations, Safety, and Regulation activity.

<sup>20</sup> Specifically, for FY2016, both the House and Senate Appropriations Committees estimated lower BSEE collections of inspection fees (\$59.0 million) than the agency did in its budget justification (\$65.0 million). The agency’s estimate was based on projected collection of the full amount of fees authorized to be used as offsets (\$65.0 million), but the Congressional Budget Office, when scoring the bills, used a historical average of actual collections, resulting in the lower estimate of \$59.0 million. BSEE had estimated higher collections for FY2016 than in recent years, based partially on its request to Congress to allow the agency to collect inspection fees for some types of inspections (such as follow-up facility inspections) for which it is not currently authorized to charge fees. The agency proposed language for the general provisions of the appropriations bill that would allow the new fees. However, the House and Senate committees did not include the requested language in their Interior appropriations bills. Personal communication between Laura Comay and BSEE’s Congressional Affairs and Budget Offices, October 1, 2015.

- b. BSEE's FY2016 budget request proposed that the General Support Services budget activity be eliminated and its funding redistributed among the specific supported activities.
- c. Subtotals differ from those discussed in the text because the subtotals in the text include appropriations for both the OSEE account and the Oil Spill Research account (see second row from the bottom).

The Senate Appropriations Committee's Interior appropriations bill, S. 1645, contained total appropriations of \$204.7 million for BSEE, offset by rental receipt and fee collections of \$116.2 million, for a net appropriation of \$88.5 million. The Senate Committee's total appropriation was \$46,000 higher than the FY2015 enacted total and the same as the agency request. The committee's net appropriation, after offsets, was \$7.4 million higher than the FY2015 enacted net appropriation and \$6.0 million higher than the agency's request, reflecting the lower estimate for BSEE's FY2016 offsetting collections discussed above.

P.L. 114-113 contained FY2016 appropriations for BSEE. The law provided the same total and net appropriations as the Senate committee bill.<sup>21</sup>

## BSEE Budget Accounts

BSEE's funding is appropriated under two budget accounts, Offshore Safety and Environmental Enforcement (OSEE) and Oil Spill Research.<sup>22</sup> Under the OSEE account, the Operations, Safety, and Regulation (OSR) activity supports the agency's development of regulations and safety standards, review and approval of OCS operating permits, inspections of facilities and equipment, oversight of operators' Safety and Environmental Management Systems (SEMS) programs,<sup>23</sup> real-time monitoring of oil and gas drilling, and evaluation of emerging technologies, among other activities. Under this activity, BSEE in February 2015 coordinated with BOEM to issue proposed safety regulations for Arctic exploratory drilling,<sup>24</sup> and in April 2015 issued proposed regulations for blowout prevention systems and well control.<sup>25</sup> Regarding the well control rule, the Senate Appropriations Committee, in its report on S. 1645, expresses concern that aspects of the rule should be further examined by BSEE, and states that findings should be provided to the Appropriations Committee and to the committees of policy jurisdiction.<sup>26</sup>

Also under the OSEE account, the Environmental Enforcement activity supports BSEE's own compliance with NEPA and other environmental statutes, as well as the agency's oversight and

<sup>21</sup> Although P.L. 114-113 provided the same total and net appropriations as the Senate committee bill, it differed from the Senate bill in the distribution of funding across certain budget activities. See **Table 2**.

<sup>22</sup> This report's descriptions of BSEE's budget activities are drawn from BSEE, *Budget Justifications and Performance Information: Fiscal Year 2016*, at [http://www.bsee.gov/uploadedFiles/BSEE/About\\_BSEE/Budget/FY2016\\_BSEE\\_Greenbook.pdf](http://www.bsee.gov/uploadedFiles/BSEE/About_BSEE/Budget/FY2016_BSEE_Greenbook.pdf), and from other sources.

<sup>23</sup> The SEMS framework, based on BSEE's Workplace Safety Rule, as revised (BSEE, "Oil and Gas and Sulphur Operations in the Outer Continental Shelf—Revisions to Safety and Environmental Management Systems," 78 *Federal Register* 20423, April 5, 2013), requires operators to implement programs and practices to enhance workplace safety and environmental protection, including many different elements. For more information, see BSEE, "SEMS Fact Sheet," at <http://www.bsee.gov/Regulations-and-Guidance/Safety-and-Environmental-Management-Systems—SEMS/Fact-Sheet/>.

<sup>24</sup> BSEE, "Requirements for Exploratory Drilling on the Arctic Outer Continental Shelf," 80 *Federal Register* 9915, February 24, 2015. For more information, see CRS Report R41153, *Changes in the Arctic: Background and Issues for Congress*, coordinated by Ronald O'Rourke, section on "Oil, Gas, and Mineral Exploration."

<sup>25</sup> BSEE, "Oil and Gas and Sulphur Operations in the Outer Continental Shelf—Blowout Preventer Systems and Well Control," 80 *Federal Register* 21503, April 17, 2015. For more information, see BSEE, "Proposed Well Control Rule Fact Sheet," at [http://www.bsee.gov/uploadedFiles/BSEE/BSEE\\_Newsroom/BSEE\\_Fact\\_Sheet/FACT%20SHEET-%20Proposed%20Well%20Control%20Rule.pdf](http://www.bsee.gov/uploadedFiles/BSEE/BSEE_Newsroom/BSEE_Fact_Sheet/FACT%20SHEET-%20Proposed%20Well%20Control%20Rule.pdf).

<sup>26</sup> S.Rept. 114-70, p. 35. The House and the Senate have held hearings on both proposed rules.

enforcement of environmental compliance by operators on the OCS. The program pursued approximately 200 cases of environmental violations from late 2011 through 2014.<sup>27</sup> For FY2016, BSEE proposed merging the Environmental Enforcement activity into the OSR activity to enhance coordination of enforcement activities. Congress did not adopt this proposal in P.L. 114-113 (see “Proposed Budgetary Changes,” below).

The activities for Administrative Operations, General Support Services (GSS), and Executive Direction, which are also within the OSEE account, support a range of administrative services as well as BSEE’s executive offices. Similar to BOEM, BSEE proposed to eliminate its GSS Services activity in FY2016, and P.L. 114-113 reflected this change (see below).

A separate BSEE budget account is for Oil Spill Research. This account funds research and planning for oil spill responses, as well as oversight of operators’ spill response plans. It also supports Ohmsett, the National Oil Spill Response Research and Renewable Energy Test Facility.

## Proposed Budgetary Changes

Within the OSEE account, BSEE proposed that the Environmental Enforcement activity be consolidated into the Operations, Safety, and Regulation activity<sup>28</sup> and that the GSS budget activity be eliminated and its funding redistributed among the specific supported activities. P.L. 114-113 reflected the elimination of the GSS activity, with corresponding increases in other activities as proposed by the agency. Contrary to the agency’s realignment proposal, P.L. 114-113 retained Environmental Enforcement as a separate activity. In the joint explanatory statement for P.L. 114-113, appropriators stated: “While the Committees realigned general support service costs consistent with the budget request, concerns remain with respect to further budget consolidations. The Bureau should continue to provide greater clarity in its Congressional Justification for mission specific program areas within the budget line for Operations, Safety, and Regulation.”<sup>29</sup>

Separate from the proposed budgetary realignment, BSEE requested certain funding increases in its OSEE account, including the following:

- \$750,000 for the Renewable Energy Inspection Program (in the OSR budget activity), to provide additional personnel and field operations support, primarily for anticipated growth in the offshore wind industry.
- \$1.7 million for the Engineering Technology Assessment Center (in the OSR budget activity), to develop a Houston-based program of engineering expertise—including both current BSEE staff and newly recruited experts—to support BSEE decisionmaking.
- \$1.4 million across three budget activities (OSR, Administrative Operations, and Executive Direction) for projected increases in fixed costs such as rent, salaries, and information technology.

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<sup>27</sup> BSEE, *Budget Justifications and Performance Information: Fiscal Year 2016*, p. 68, at [http://www.bsee.gov/uploadedFiles/BSEE/About\\_BSEE/Budget/FY2016\\_BSEE\\_Greenbook.pdf](http://www.bsee.gov/uploadedFiles/BSEE/About_BSEE/Budget/FY2016_BSEE_Greenbook.pdf).

<sup>28</sup> The agency stated in its budget request that combining the two accounts would “allow for better identification of regulatory needs for enhanced environmental compliance and closer coordination between the EEP [Environmental Enforcement Program] and the newly established SEMS [Safety and Environmental Management System] program. The merger will also allow better management and oversight of all of the compliance and inspection programs in BSEE” (BSEE, *Budget Justifications and Performance Information, Fiscal Year 2016*, p. 15, at [http://www.bsee.gov/uploadedFiles/BSEE/About\\_BSEE/Budget/FY2016\\_BSEE\\_Greenbook.pdf](http://www.bsee.gov/uploadedFiles/BSEE/About_BSEE/Budget/FY2016_BSEE_Greenbook.pdf)).

<sup>29</sup> P.L. 114-113, Joint Explanatory Statement, Division G, pp. 23-24, at <https://rules.house.gov/bill/114/hr-2029-sa>.

BSEE also proposed a reduction of \$2.4 million across two budget activities (OSR and Executive Direction) as a result of management efficiencies, cost savings, and administrative adjustments. P.L. 114-113 reflected BSEE's proposed increases and reduction.

## Office of Natural Resources Revenue<sup>30</sup>

ONRR was established under the DOI Office of the Assistant Secretary for Policy, Management, and Budget to collect, account for, analyze, audit, and disburse revenues from energy and mineral leases on the OCS as well as on federal onshore and American Indian lands.<sup>31</sup>

With regard to its disbursement function, in FY2015 ONRR disbursed \$9.9 billion in revenues from mineral leases on federal and Indian lands, down from \$13.4 billion in FY2014 and \$14.2 billion in FY2013. Of the FY2015 total, approximately \$5.1 billion came from leasing and production activity on the OCS. The revenue amounts disbursed fluctuate annually, based primarily on the prices of oil and natural gas, and have averaged about \$12 billion per year for onshore and offshore production combined over the last five years (FY2011-FY2015). Sources of ONRR receipts include royalties, bonus bids, and rents for all leasable minerals including oil, natural gas, coal, and others.

ONRR distributes revenues under various authorities. Revenues from onshore leases are disbursed to the states in which they were collected, the General Fund of the U.S. Treasury, and the Reclamation Fund based on various statutory formulas. Revenues from offshore leases are allocated among coastal states, the Land and Water Conservation Fund, the Historic Preservation Fund, and the Treasury.<sup>32</sup>

ONRR receives and processes 49,000 royalty and production reports monthly. It annually collects royalties on 32,000 offshore and onshore producing leases and rents on 29,000 nonproducing leases.<sup>33</sup> ONRR uses an automated liquid verification system and gas verification system to ensure the accuracy of reported offshore production information.

In early 2015, DOI published a proposed rule to reform valuation practices for oil and gas on federal lands (onshore and offshore) and for coal on federal and Indian lands.<sup>34</sup>

## FY2016 Budget and Appropriations

The Administration submitted an FY2016 gross funding request of \$128.7 million for ONRR. There are no offsetting collections proposed for ONRR as there are for BOEM and BSEE. See **Table 3** for the FY2016 funding request and ONRR appropriations. ONRR identified three major areas of importance that support its mission to collect, disburse, and verify federal and Indian

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<sup>30</sup> This section was prepared by Marc Humphries, Specialist in Energy Policy.

<sup>31</sup> Secretarial Order 3306 established ONRR in 2010 as part of the reorganization of the MMS (DOI Secretarial Order 3306, "Organizational Changes Under the Assistant Secretary—Policy, Management and Budget," September 30, 2010).

<sup>32</sup> For a discussion of offshore revenue sharing issues and legislation, see CRS Report R40645, *U.S. Offshore Oil and Gas Resources: Prospects and Processes*, by Marc Humphries and Robert Pirog.

<sup>33</sup> Department of the Interior, *Budget Justifications and Performance Information, Fiscal Year 2016: Office of the Secretary and Department-Wide Programs*, p. 166, at [https://www.doi.gov/sites/doi.gov/files/migrated/budget/appropriations/2016/upload/FY2016\\_OS\\_Greenbook.pdf](https://www.doi.gov/sites/doi.gov/files/migrated/budget/appropriations/2016/upload/FY2016_OS_Greenbook.pdf).

<sup>34</sup> See proposed rule: ONRR, "Consolidated Federal Oil & Gas and Federal & Indian Coal Valuation Reform," 80 *Federal Register* 608, January 6, 2015.

energy and other natural resource revenue: (1) Financial and Production Management, (2) Audit and Compliance Management, and (3) Coordination, Enforcement, Valuation, and Appeals.

The FY2016 request reflected resources proposed for ONRR to assume trust responsibility for the Osage Nation as it does for all other tribes receiving mineral revenue.<sup>35</sup> The Osage Nation is a federally recognized tribe located in Oklahoma. After a 2011 settlement (\$380 million), DOI and the Osage Nation agreed to implement programs to strengthen management and improve communication. To date, the Osage oil and gas leasing program operates with support only from DOI's Bureau of Indian Affairs (thus, with no support from the Bureau of Land Management [BLM] or ONRR). The addition of Osage to ONRR's portfolio will increase the amount of Indian leases under ONRR's management by 82%, or an additional 4,500 new leases. The Administration's FY2016 request sought about \$3.6 million for the Osage Trust Accounting program.

The Administration requested \$1.0 million for geospatial information systems (GIS) to improve the effectiveness of ONRR and to better understand the relationship between leases and transportation lines, among other things. The Administration also requested \$1.3 million for onshore production meter verification. The FY2016 request reflected ONRR's ongoing pilot inspection partnership program with BLM, which was established to support BLM field inspections. The request would fully fund the verification program, which Congress partially funded at \$1.7 million in FY2015. The money would be used to enhance onshore production verification efforts.

ONRR's strategic goals include revenue management and royalty reform using ONRR-wide compliance measures. ONRR would like to improve its newly implemented compliance measures to fully reflect all of ONRR's compliance work. A major challenge confronting ONRR is to ensure that its audit and compliance program is consistently effective. Critics contend that less auditing and more focus on compliance review has led to a less rigorous royalty collection system and thus a loss of revenue to the federal Treasury. DOI's Inspector General and the Government Accountability Office (GAO) have made recommendations to strengthen and improve administrative controls of the compliance and asset management program, including adoption of a risk-based compliance approach. In FY2014, ONRR, along with its state and tribal audit partners, closed 509 audits and 557 compliance reviews. Tribes can conduct mineral royalty audits on their tribal land and states can do so on federal leases within their state boundaries. ONRR has agreements with 10 states and 6 tribes to conduct leasing-compliance activities in their jurisdictions.

## Congressional Action

P.L. 114-113 provided \$125.5 million for ONRR, including increases over FY2015 of \$1.3 million for ONRR's production verification program and \$2.6 million for the Osage Trust Accounting program. The House supported ONRR at \$125.5 million, whereas the Senate supported ONRR at the FY2015 enacted level of \$121.6 million. Noting the proposed rule to reform valuation methods, the law included the committee request for a GAO report to Congress

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<sup>35</sup> According to DOI, the federal Indian trust responsibility is a legal obligation under which the United States "has charged itself with moral obligations of the highest responsibility and trust" toward Indian tribes (*Seminole Nation v. United States*, 1942). This obligation was first discussed by Chief Justice John Marshall in *Cherokee Nation v. Georgia* (1831). Over the years, the trust doctrine has been at the center of numerous other Supreme Court cases, thus making it one of the most important principles in federal Indian law. See DOI, Indian Affairs, "Frequently Asked Questions," at <http://www.bia.gov/FAQs/>.

on the effectiveness of existing valuation regulations, including an analysis of the impact of increasing royalty rates on federal coal and oil and gas leases and production levels.

**Table 3. Appropriations for the Office of Natural Resources Revenue (ONRR), FY2015-FY2016**  
(\$ in millions)

ONRR	FY2015 Enacted	FY2016 Request	House Comm. Bill (H.R. 2822)	Senate Comm. Bill (S. 1645)	FY2016 Approps. Act (P.L. 114-113)	P.L. 114-113 Change from FY2015	
						\$	%
<b>Total Appropriations</b>	<b>121.6</b>	<b>128.7</b>	<b>125.5</b>	<b>121.6</b>	<b>125.5</b>	<b>+3.9</b>	<b>+3.2%</b>

**Source:** H.Rept. 114-170 on H.R. 2822; S.Rept. 114-70 on S. 1645; P.L. 114-113, Joint Explanatory Statement, Division G, at <https://rules.house.gov/bill/114/hr-2029-sa>.

## General Provisions

P.L. 114-113 contained some general provisions related to offshore energy,<sup>36</sup> similar to those included in previous years' Interior appropriations laws. Section 107 directed the agencies to collect nonrefundable inspection fees in FY2016 to be deposited into BSEE's OSEE account, and it specified fee amounts. Section 108 authorized the Secretary of the Interior to transfer funds among and between BSEE, BOEM, and ONRR in accordance with reprogramming guidelines related to the earlier departmental reorganization.

The law did not contain a provision, included in recent years' Interior appropriations laws, to extend an authorization for higher minimum rates of basic pay for petroleum engineers and technicians at BOEM and BSEE.<sup>37</sup> The joint explanatory statement for P.L. 114-113 stated that “[t]he Office of Personnel Management has approved special salary rate tables covering employees eligible under the provision and therefore it is no longer necessary.”<sup>38</sup>

## Administration's Legislative Proposals

DOI proposed as part of its departmental budget a package of legislative reforms, including some pertaining to the ocean energy agencies.<sup>39</sup> One DOI proposal, concerning offshore revenue-sharing payments under P.L. 109-432, the Gulf of Mexico Energy Security Act of 2006, would redirect the payments from their current recipients—the states of Alabama, Louisiana, Mississippi, and Texas—to broad federal natural resource and conservation programs. A separate proposed package of federal oil and gas reforms for both offshore and onshore activities would

<sup>36</sup> This report addresses general provisions that are specifically related to offshore energy and does not cover general provisions that apply across DOI, such as department-wide emergency funding transfer authorities.

<sup>37</sup> The Government Accountability Office (GAO) has identified problems in recruiting and retaining these highly skilled professionals at both agencies as an area of high risk for the federal government. GAO, *High-Risk Series: An Update*, February 2015, pp. 94, 97-100, at <http://www.gao.gov/assets/670/668415.pdf>.

<sup>38</sup> P.L. 114-113, Joint Explanatory Statement, Division G, p. 23, at <https://rules.house.gov/bill/114/hr-2029-sa>.

<sup>39</sup> DOI, *Fiscal Year 2016: The Interior Budget in Brief*, “Legislative Proposals and Offsetting Collections,” February 2015, at <https://www.doi.gov/sites/doi.gov/files/migrated/budget/appropriations/2016/highlights/upload/DH061.pdf>. In addition to the legislative proposals discussed here, footnote 20 discusses DOI's proposal for a new fee for onshore oil and gas inspections.

include changes such as evaluating minimum royalty rates, adjusting the onshore royalty rate, repealing legislatively mandated royalty relief, providing for shorter primary lease terms, instituting a new fee on nonproducing leases, and making certain changes in revenue collections, among other elements. The House and Senate did not address these proposals in P.L. 114-113. Congressional action, if any, on such proposed reforms could take place outside of the appropriations process.

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