

July 21, 2011

Chairman Jeff Bingaman
Senate Committee on Energy
and Natural Resources
304 Dirksen Senate Office Building
Washington, DC 20510

Ranking Member Lisa Murkowski
Senate Committee on Energy
and Natural Resources
304 Dirksen Senate Office Building
Washington, DC 20510

Dear Senators Bingaman and Murkowski:

As governors of coastal states, we write to express our strong support for legislation that would allow our states to receive a fair share of the revenues from energy generation and production in the Outer Continental Shelf (OCS). Revenue sharing may arise in the context of legislation considered this week by the Energy and Natural Resources Committee or legislation later considered on the Senate floor. We do not hold identical views on offshore energy, and we make no statement here on how such development should proceed. We are firmly united, however, in our position that any legislation to facilitate any form of energy production in the OCS must return a responsible portion of the attendant revenues to the appropriate coastal states.

There is more than sufficient cause to justify energy-related revenue sharing. Ocean energy development can place heightened demands on transportation services, the environment, ports, fuel supplies, pipeline and transmission corridors, public health and safety, and other infrastructural, social and natural resources. Last year's tragic offshore oil spill also showed that such development can carry real consequences – not for the inland states that ultimately use much of the energy being produced, but for the coastal states at water's edge.

If a responsible portion of the vast revenues from offshore generation and production are returned to our states, we would be far better prepared to mitigate the resulting risks and impacts. This is an equitable bargain, wherein the states that choose to pursue development receive a deserved portion of its rewards. In the absence of revenue sharing, it is possible that some coastal states could limit their offshore energy production, or even use their powers under existing federal laws to deny the rest of the nation access to the vast resources in the OCS. The American people could then lose out on substantial new energy production, government revenues, and employment opportunities at a time when all are desperately needed.

In addition to cause, there is also sufficient precedent to justify revenue sharing for offshore energy generation and production. Under the Mineral Leasing Act, landlocked states with energy production on federal lands are rightly entitled to roughly half of the associated revenues – and these revenues are derived from resources which belong to the entire nation, not any one state. In addition, 40 percent of these revenues are returned to western states through the Reclamation Fund. Those states are also rightly entitled to "Payments in Lieu of Taxes" (PILT), a federal-state partnership expressly designed to compensate for the impact that federal lands have on state tax bases.

We appreciate that bipartisan leaders in recent Congresses have supported revenue sharing. Congress acknowledged its importance through the enactment of the Gulf of Mexico Energy Security Act of 2006, which directs 37.5 percent of federal revenues from a number of federal OCS leases to neighboring Gulf States. States received a total of less than \$866,000 for production in 2010 under this act for hosting offshore production. Comparatively, states shared in over \$2,000,000,000 for

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production on federal lands within their states. Further, both law and the current administration's programs provide for a 27.5 percent state revenue sharing provision for federally-leased offshore wind power.

Should Congress consider legislation that facilitate greater energy development in the OCS, it is important – and entirely possible – to ensure that the benefits of such development accrue to both the nation as a whole and coastal states. The best mechanism to accomplish that goal is revenue sharing, which will ensure that coastal states are both incentivized and equipped to facilitate safer, more responsible, and more efficient development of all forms of offshore energy while recognizing the historic contribution of states that fueled this nation's economy.

We thank you for considering our perspective.

Sincerely,



Governor Robert J. Bentley
Alabama



Governor Haley Barbour
Mississippi



Governor Sean Parnell
Alaska



Governor Nikki Haley
South Carolina



Governor Bobby Jindal
Louisiana



Governor Robert F. McDonnell
Virginia

cc: Members of the Senate Energy and Natural Resources Committee