

THE WHITE HOUSE
WASHINGTON

September 13, 2010

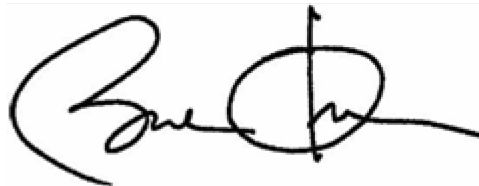
Dear Madam Speaker:

I ask the Congress to consider the enclosed Fiscal Year (FY) 2011 Budget amendments for the Department of the Interior. Overall, the discretionary budget authority proposed in my FY 2011 Budget would not be increased by these requests.

This request is necessary to strengthen oversight of offshore oil and gas operations, address deficiencies in mineral revenue collection, and facilitate the reorganization of the Bureau of Ocean Energy Management, Regulation, and Enforcement -- formerly known as the Minerals Management Service.

The details of this request are set forth in the enclosed letter from the Acting Director of the Office of Management and Budget.

Sincerely,

A handwritten signature in black ink, appearing to be "G. E. B.", enclosed in a thin black rectangular border.

The Honorable Nancy Pelosi
Speaker of the House of Representatives
Washington, D.C. 20515

Enclosure



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

September 13, 2010

The President
The White House

Submitted for your consideration are amendments to your Fiscal Year (FY) 2011 Budget for the Department of the Interior.

The amendments would support efforts to: strengthen oversight of offshore oil and gas operations to address safety and environmental concerns highlighted by the Deepwater Horizon oil spill in the Gulf of Mexico; address deficiencies in Federal mineral revenue collections; and facilitate the reorganization of the Bureau of Ocean Energy Management, Regulation, and Enforcement (BOEMRE) within the Department of the Interior.

The revised request would be fully offset by increasing inspection fees on offshore oil and gas operations, cancelling prior-year balances not needed for the BOEMRE Outer Continental Shelf Connect project, and prohibiting the expenditure of mandatory spending authorized in the Energy Policy Act of 2005 for oil and gas research and development.

Overall, the discretionary budget authority proposed in FY 2011 would not be increased by these requests.

Recommendation

I have reviewed these requests and am satisfied that they are necessary at this time. Therefore, I join the Secretary of the Interior in recommending that you transmit the proposals to the Congress.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jeffrey D. Zients".

Jeffrey D. Zients
Acting Director

Enclosures

Agency: DEPARTMENT OF THE INTERIOR
Bureau: MINERALS MANAGEMENT SERVICE
Heading: Royalty and Offshore Minerals Management
FY 2011 Budget Appendix Page: 657
FY 2011 Pending Request: \$183,587,000
Proposed Amendment: \$66,380,000
Revised Request: \$249,967,000

(In the appropriations language under the above Agency, delete the bureau title "Minerals Management Service" and substitute Bureau of Ocean Energy Management, Regulation, and Enforcement; in the first paragraph, delete "\$183,587,000" and substitute \$249,967,000; delete "\$100,404,000" and substitute \$118,504,000; and delete "Director of MMS" and substitute Director of the Bureau of Ocean Energy Management, Regulation, and Enforcement; and in the second paragraph, delete "\$20,000,000" in both places it appears and substitute \$45,000,000.)

This amendment would increase by \$66 million the budget authority requested in the FY 2011 Budget. These funds would be used to facilitate the reorganization of the Bureau of Ocean Energy Management, Regulation, and Enforcement (BOEMRE), formerly the Minerals Management Service, into the following three entities: Office of Natural Resources Revenue; Bureau of Ocean Energy Management; and Bureau of Safety and Environmental Enforcement. The new organizational structure is based on the premise that the missions within BOEMRE – including Outer Continental Shelf management, safety, and environmental oversight and enforcement, and revenue collection – need to be clearly defined and distinct from each other.

The majority of the additional resources would be used to strengthen core programs within BOEMRE to address safety and environmental concerns highlighted by the Deepwater Horizon oil spill in the Gulf of Mexico. The additional resources would also be used to address known deficiencies in Federal mineral revenue collection activities, including those raised in a recent Government Accountability Office review, and establish an investigation and review unit within the agency.

In addition to the \$66 million increase in budget authority, the amendment would provide access to an additional \$25 million in revenue. In conjunction with an accompanying amendment to general provision section 109, this additional revenue would be derived by more than doubling the offshore oil and gas operation inspection fees collected in FY 2011 (from \$20 million to \$45 million). As a result, BOEMRE would have available an additional \$91 million in total resources in FY 2011 for the efforts described above.

Agency: DEPARTMENT OF THE INTERIOR

Bureau: BUREAU OF OCEAN ENERGY MANAGEMENT,
REGULATION, AND ENFORCEMENT

Heading: Oil Spill Research

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Appendix Page: 662

FY 2011
Pending Request: \$6,303,000

Proposed Amendment: \$8,620,000

Revised Request: \$14,923,000

(In the appropriations language under the above heading, delete "\$6,303,000" and substitute \$14,923,000.)

This amendment would be used to address key research gaps brought to light by the Deepwater Horizon oil spill in the Gulf of Mexico and the associated spill containment and response efforts. Deep oil and gas spill containment capabilities need to be improved, along with the understanding of how best to respond to deep oil and gas spills. This research will be coordinated with other Federal agencies and non-Federal partners.

This amendment would increase the budget authority requested in the FY 2011 Budget by \$9 million, which would be fully offset by proposed reductions to other accounts within the Department of the Interior, as described in the accompanying amendments.

Agency: DEPARTMENT OF THE INTERIOR

Heading: GENERAL PROVISIONS

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Appendix Page: 729

FY 2011
Pending Request: ---

Proposed Amendment: Language

Revised Request: ---

(In the appropriations language under the above heading, in section 109, in subsection (a), delete "Minerals Management Service (MMS)" and substitute Bureau of Ocean Energy Management, Regulation, and Enforcement (BOEMRE), and delete the second reference to "MMS" and substitute BOEMRE; in subsection (b), delete "\$4,000" and substitute \$9,000, delete "\$6,500" and substitute \$14,625, and delete "\$12,000" and substitute \$27,000; and in subsection (c), delete "MMS" and substitute BOEMRE.)

This amendment, in conjunction with the amendment to the Royalty and Offshore Minerals Management account, would increase collections of offshore oil and gas operation inspection fees by \$25 million, which would be available to the Bureau of Ocean Energy Management, Regulation, and Enforcement. This would offset the \$25 million in increased spending in the Royalty and Offshore Minerals Management account, as described in an accompanying amendment.

Agency: DEPARTMENT OF THE INTERIOR

Heading: GENERAL PROVISIONS

FY 2011 Budget
Appendix Page: 731

FY 2011
Pending Request: ---

Proposed Amendment: Language

Revised Request: ---

(In the appropriations language under the above heading, insert the following three new sections immediately following section 113:)

Sec.114. The Secretary of the Interior, after consultation with the relevant congressional committees, may implement a reorganization of the Bureau of Ocean Energy Management, Regulation, and Enforcement and, as part of the reorganization, may make transfers pursuant to 31 U.S.C. 1531 and take other necessary administrative actions.

This amendment would allow the creation of new accounts and the transfer of funds among accounts during the reorganization of the Bureau of Ocean Energy Management, Regulation, and Enforcement (BOEMRE), which is scheduled to begin on October 1, 2010. It would provide the flexibility required by the Department of the Interior (DOI) to move funds among various accounts and programs including balances as the reorganization progresses.

Sec.115. Of the prior year unobligated balances available in the Royalty and Offshore Minerals Management Account, \$25,000,000 are hereby permanently cancelled.

This amendment would permanently cancel \$25 million in unobligated balances, which would partially offset the proposed increase in funding for the reorganization of BOEMRE, as described in an accompanying amendment.

Sec.116. None of the funds in this or any other Act shall be used to deposit funds from any Federal royalties, rents, and bonuses derived from Federal onshore and offshore oil and gas leases issued under the Outer Continental Shelf Lands Act (43 U.S.C. 1331 et seq.) and the Mineral Leasing Act (30 U.S.C. 181 et seq.) into the Ultra-Deepwater and Unconventional Natural Gas and Other Petroleum Research Fund in Fiscal Year 2011.

This amendment would prohibit DOI from transferring \$50 million in FY 2011 oil and gas receipts to an oil and gas research and development program that promotes fossil fuel

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production. This transfer, as directed by the Energy Policy Act of 2005, provides mandatory spending for the Ultra-Deepwater and Unconventional Natural Gas and Other Petroleum Research program. The oil and gas industry has the incentive and resources to undertake this work without this Federal subsidy. Instead, both the industry and the public would be better served by reallocating these funds to strengthen the core programs of BOEMRE that regulate and facilitate offshore energy development.

This amendment would offset by \$50 million proposed increases to other accounts within DOI, as described in the accompanying amendments.