CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

July 21, 2006

Honorable Pete V. Domenici
Chairman
Committee on Energy
and Natural Resources
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

As you requested, the Congressional Budget Office has estimated the budgetary impact of S. 3711, the Gulf of Mexico Energy Security Act of 2006, as introduced on July 20, 2006. The bill would remove the restrictions on leasing certain areas of the Outer Continental Shelf (OCS) for oil and gas development, authorize direct spending of certain OCS receipts, and offer monetary credits to firms that hold leases in certain areas.

CBO estimates that enacting the bill would reduce direct spending by $0.9 billion over the 2008-2016 period (see enclosed table). S. 3711 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act. CBO expects that enacting this legislation would benefit some coastal states and localities by allowing them to share in the receipts from oil and gas leases in the OCS.

The estimated budgetary impact of this bill would vary over time. Allowing leasing in the new areas designated by the bill would lead to the collection of bonuses, rents, and royalties, which CBO estimates would total $1.5 billion over the 2008-2016 period. Those areas would continue to generate offsetting receipts for several decades after 2016.

Under S. 3711, 50 percent of the offsetting receipts collected from leases in the new areas could be spent, without further appropriation action, for payments to states and for activities authorized by the Land and Water Conservation Fund Act. CBO estimates that such spending would total $540 million over the 2009-2016 period. Starting in 2017, the bill would provide additional direct spending authority encompassing 50 percent of the receipts from most other OCS oil and gas leases, subject to a limitation. Starting in 2016, the bill would limit total direct spending under the bill in any year to no more than the sum of the receipts from the new areas plus $500 million.

Finally, the legislation would offer monetary credits to firms that hold OCS leases in areas that would be subject to a temporary moratorium on new leasing activity. Based on information from the Department of the Interior, CBO estimates that those credits would be worth $84 million and would be redeemed soon after they were made available.

Pursuant to section 407 of H. Con. Res. 95 (the Concurrent Resolution on the Budget, Fiscal Year 2006), CBO estimates that enacting this bill would not cause an increase in direct spending greater than $5 billion in any of the next four 10-year periods after 2015.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Kathleen Gramp.

Sincerely,

Donald B. Marron

Donald B. Marron
Acting Director

Enclosure

cc: Honorable Jeff Bingaman
Ranking Member

July 21, 2006

CBO ESTIMATE OF THE DIRECT SPENDING EFFECTS OF S. 3711, THE GULF OF MEXICO ENERGY SECURITY ACT OF 2006

	By Fiscal Year, In Millions of Dollars										Total	
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2007-2011	2007-2016
CHANGES IN DIRECT SPENDING												
Leasing of New OCS Areas												
Estimated Budget Authority	0	-220	-60	-120	-100	-70	-120	-190	-290	-380	-500	-1,550
Estimated Outlays	0	-220	-60	-120	-100	-70	-120	-190	-290	-380	-500	-1,550
New Direct Spending of OCS Receipts												
Estimated Budget Authority	0	0	110	30	60	50	35	60	95	145	200	585
Estimated Outlays	0	0	85	30	60	50	40	60	85	130	175	540
Monetary Credits to Certain Lessees												
Estimated Budget Authority	0	80	4	0	0	0	0	0	0	0	84	84
Estimated Outlays	0	80	4	0	0	0	0	0	0	0	84	84
Total Changes												
Estimated Budget Authority	0	-140	54	-90	-40	-20	-85	-130	-195	-235	-216	-881
Estimated Outlays	0	-140	29	-90	-40	-20	-80	-130	-205	-250	-241	-926