



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

December 13, 2010

**S. 3516
Outer Continental Shelf Reform Act of 2010**

*As reported by the Senate Committee on Energy and Natural Resources
on July 28, 2010*

SUMMARY

S. 3516 would codify certain reforms within the Department of the Interior (DOI) related to managing certain mineral resources on federal lands and the Outer Continental Shelf (OCS). The bill also would authorize DOI to collect fees to cover the cost of inspecting offshore oil rigs and establish or modify certain research programs related to offshore oil and gas production. Finally, the bill would authorize the department to perform certain activities to inform the public about environmental and safety incidents related to offshore oil production.

CBO estimates that enacting the legislation would increase the collection of offsetting receipts (thus reducing direct spending) by \$485 million over the 2011-2020 period; therefore, pay-as-you-go procedures apply. Enacting the legislation would not affect revenues. In addition, based on information from DOI and assuming appropriation of the authorized and necessary amounts, CBO estimates that implementing S. 3516 would have a discretionary cost of \$77 million over the 2011-2015 period.

S. 3516 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 3516 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and environment).

	By Fiscal Year, in Millions of Dollars					2011-2015
	2011	2012	2013	2014	2015	
CHANGES IN DIRECT SPENDING^a						
Inspection Fees						
Estimated Budget Authority	-41	-42	-44	-45	-47	-219
Estimated Outlays	-41	-42	-44	-45	-47	-219
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Reform of Minerals Management						
Estimated Authorization Level	10	11	11	12	12	56
Estimated Outlays	9	11	11	11	12	54
Research Programs						
Estimated Authorization Level	0	0	0	0	10	10
Estimated Outlays	0	0	0	0	6	6
Other Activities						
Estimated Authorization Level	16	*	*	*	*	17
Estimated Outlays	13	4	*	*	*	17
Total Changes						
Estimated Authorization Level	26	11	11	12	22	82
Estimated Outlays	22	15	11	11	18	77

Note: * = less than \$500,000.

a. CBO estimates that implementing the legislation would reduce direct spending by \$485 million over the 2011-2020 period.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted in calendar year 2010 and that the necessary amounts will be appropriated for each fiscal year. Estimated outlays are based on historical spending patterns of DOI.

Direct Spending

S. 3516 would authorize DOI to collect certain fees and carry out several research programs that would be funded with existing mandatory appropriations through 2014. Based on information provided by DOI, CBO estimates that implementing the legislation would increase offsetting receipts (thus reducing direct spending) by \$219 million over the 2011-2015 period and by \$485 million over the 2011-2020 period.

Inspection Fees. S. 3516 would authorize DOI to collect fees to cover the cost of inspecting offshore oil rigs. Amounts collected under the bill would be deposited in the U.S. Treasury and credited as offsetting receipts (a credit against direct spending). Those

amounts would be available to DOI if provided in annual appropriation acts. In 2010, DOI had the authority to collect and spend, without further appropriation, \$10 million in fees to partially offset the costs of conducting inspections in that year—about \$40 million. That authority expired at the end of fiscal year 2010. Currently, the agency does not have the authority to collect or spend such fees.

Based on information provided by DOI regarding the historical costs of inspecting offshore oil rigs each year, CBO estimates that the cost of conducting those inspections over the 2011-2020 period would range from about \$40 million to about \$60 million a year (including adjustments for inflation). In total, CBO estimates that implementing this provision would increase offsetting receipts and thus reduce direct spending by \$485 million over the 2011-2020 period.

Research Programs. S. 3516 would authorize DOI to conduct several research programs related to mineral production on the OCS. The bill would establish a program to collect and analyze environmental data to assess the impact of oil and gas production on the OCS, expand an existing research program to assess risks associated with offshore mineral production, and identify new technologies to mitigate those risks. Under the bill, those programs would receive \$10 million annually through 2014 from a mandatory appropriation authorized under the Energy Policy Act of 2005. Under current law, those funds would be spent on activities similar to those authorized by the bill; therefore, CBO estimates that implementing those provisions would have no significant incremental impact on direct spending.

Spending Subject to Appropriation

S. 3516 would codify certain administrative reforms related to managing oil and gas resources on the OCS and onshore federal lands. The bill also would establish or modify certain research programs and authorize certain other activities related to oil and gas production on the OCS. Based on information provided by DOI, CBO estimates that implementing the legislation would increase discretionary spending by \$77 million over the 2011-2015 period.

Reform of Minerals Management. The bill would authorize DOI to undertake certain activities to restructure management of minerals production on federal lands. The legislation would require the Secretary to establish two new bureaus and a royalty and revenue office to administer activities formerly carried out by the Minerals Management Service (MMS). CBO expects that those entities would require additional administrative and managerial staff to supplement existing MMS personnel who would be retained. In addition, the bill would give the Secretary special authorities to hire staff for the new entities.

The legislation also would authorize additional activities aimed at enhancing the management of mineral production on the OCS and would establish an advisory board composed of outside experts to identify best practices in the production of certain offshore minerals. The bill also would require federal oil-rig inspectors to monitor the training of certain workers in the oil and gas industry. Finally, the bill would require DOI to collect and analyze more information than is required under current law before granting permits to companies that conduct oil and gas exploration on the OCS. Based on information from DOI regarding the number of new employees necessary to staff the new administrative entities and to carry out other activities related to the reform of minerals management at DOI, CBO estimates that implementing those provisions would cost \$54 million over the 2011-2015 period, assuming appropriation of the necessary amounts.

Research Programs. S. 3516 would establish or modify certain research programs related to oil and gas production on the OCS. Those programs—one to assess the environmental impact of offshore mineral production and the other to assess and mitigate risks associated with such activities—would be funded with mandatory appropriations through 2014. Because those mandatory appropriations would end in 2014, the Congress would need to appropriate funds in 2015 if it chose to continue the research programs in that year. Assuming appropriation of the necessary amounts, CBO estimates that carrying out those programs would cost \$6 million in 2015.

Other Activities. The bill would authorize the appropriation of \$10 million to establish a commission to recommend actions to prevent oil spills related to offshore oil production. The legislation also would require the Secretary to establish a publicly accessible database containing information about any regulatory violation or incidents, including fires, oil spills, deaths or injuries, related to oil production on the OCS. Based on information provided by DOI and assuming appropriation of the authorized and necessary amounts, CBO estimates that implementing those provisions would cost \$17 million over the 2011-2015 period.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. CBO estimates that implementing S. 3516 would reduce direct spending by \$485 million over the 2011-2020 period. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of the Statutory Pay-As-You-Go Effects for S. 3516, the Outer Continental Shelf Reform Act of 2010, as reported by the Senate Committee on Energy and Natural Resources on July 28, 2010

	By Fiscal Year, in Millions of Dollars											
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2011-2015	2011-2020
NET INCREASE OR DECREASE (-) IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	-41	-42	-44	-45	-47	-50	-51	-53	-55	-57	-219	-485

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 3516 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

ESTIMATE PREPARED BY:

Federal Costs: Jeff LaFave
 Impact on State, Local, and Tribal Governments: Melissa Merrell
 Impact on the Private Sector: Amy Petz

ESTIMATE APPROVED BY:

Theresa Gullo
 Deputy Assistant Director for Budget Analysis