

United States Senate

WASHINGTON, DC 20510

April 9, 2008

The Honorable Harry Reid
Senate Majority Leader
The Capitol
Washington, DC 20510

The Honorable Mitch McConnell
Senate Minority Leader
The Capitol
Washington, DC 20510

Dear Leader Reid and Leader McConnell:

The Fiscal Year 2008 Consolidated Appropriations Act (P.L. 110-161) includes a two percent deduction from the revenue shared with states from onshore federal leases. We respectfully seek your support to include language to restore states' fair share of mineral leasing revenues in the next bill with appropriations or revenue provisions that moves in regular order in the Senate.

The Administration suggests that this deduction is necessary to defray administrative costs. Revenues associated with federal leasing and shared with producing States pay for vital state and local government services, including education and infrastructure.

States that allow for federal mineral extraction generate economic development and state and local tax revenue. However, these financial benefits are not generated without significant impacts to local infrastructure and public services.

Congress implemented a similar deduction for administrative expenses associated with federal leases in 1993. In 2000, Congress rejected this administrative deduction and adopted language that unambiguously states, "In determining the amount of payments to the States under this section, the amount of such payments shall not be reduced by any administrative or other costs incurred by the United States." (30 USC 191(b))

Because the Senate did not consider the Interior Appropriations Act for Fiscal Year 2008, we did not have the opportunity to strike this provision from the original bill. We are co-sponsors of S. 2062, legislation pending before the Senate that would address this federal grab.

The lost revenue to several state governments amounts to approximately \$43 million in the current fiscal year. Balancing the federal budget on the backs of States with federal mineral resources and breaking a longstanding revenue sharing agreement is not good policy and should be reversed on the first available vehicle.

Thank you for your prompt consideration.

Sincerely,




cc: The Honorable Robert Byrd, Chairman, Committee on Appropriations
The Honorable Thad Cochran, Ranking Member, Committee on Appropriations
The Honorable Max Baucus, Chairman, Committee on Finance
The Honorable Chuck Grassley, Ranking Member, Committee on Finance