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TESTIMONY OF THE HONORABLE MARY L. LANDRIEU
HOUSE NATURAL RESOURCES COMMITTEE
HOUSE SUBCOMMITTEE ON ENERGY AND MINERAL RESOURCES

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My name is Mary Landrieu. From 1996 through 2015, I had the opportunity to represent the State of Louisiana in the United States Senate. During that time, I served on the Senate Energy and Natural Resources Committee and had the honor to serve as Chair the last year I was in the Senate. Thank you for the opportunity to testify before you today on an issue that is of great importance to the State of Louisiana, and in my view, to all of our states.

The concept of federal revenue sharing began with the Mineral Lands Leasing Act of 1920, which governs the development of mineral deposits on federal lands located *within* states. That legislation provided that a share of the revenue derived from mineral production on federal lands in a state would be shared with that "host" state. In essence, a mutually respectful partnership was established, and that principle stands to this day providing a 50% revenue share to those states containing land upon which federal minerals are developed. Revenue sharing was not established by Congress as an incentive for states to support development. Rather, the revenue share was provided to help states with the various social and environmental impacts on the state from the development of federal mineral deposits. Those impacts, in addition to environmental impacts, include certain social impacts, such as: the provision of medical services to workers involved in the development, the provision of schools for the children of these workers, highways and other state infrastructure needed to transport workers and supplies to the federal mineral deposits and to transport the federal mineral product to market.

As you all know, Louisiana is a major producer of crude oil and natural gas. Our onshore production occurs primarily on private land, since we are not a major "federal lands" state. Oil and gas

production began in Louisiana on September 21, 1901 near Jennings in south Louisiana. In 1946, Magnolia Petroleum Company drilled the first well in water off the coast of Louisiana. This well was drilled in 18 feet of water, 18 miles off the coast of St. Mary Parish, Louisiana, which is on the coast in roughly the middle of our state coastline. This well was in an area that the state believed was state land, although no law had yet been established regarding the ownership of these offshore areas. An extended period of negotiation commenced with then President Harry Truman and his Administration, the upshot of which was the enactment of the Submerged Lands Act of 1953 in which the federal government recognized the state waters that were within state jurisdiction when they entered the union. The Act meant that the coastal states own the first three miles off their coast and the federal government owns the land from three miles offshore to the outer extent of the 200 mile economic zone claimed by the United States. Two states, Florida and Texas, own three marine leagues from their coast since these were jurisdictional waters when they entered the union.

After the ownership of the offshore areas was established, Congress enacted the Outer Continental Shelf Lands Act of 1953, which, like the Mineral Lands Leasing Act of 1920, governs the development of federal mineral deposits in the federal offshore lands. However, unlike the Mineral Lands Leasing Act of 1920, the OCS Lands Act does not, unfortunately for coastal states, contain a similar provision for revenue sharing. Now, please bear in mind that the coastal states adjacent to federal offshore mineral development experience **the same impacts as federal lands states**: environmental impacts and social impacts, like medical services for workers, schools for the children of those workers, highways, roads, bridges, ports and helipads for the transportation of workers and supplies to the offshore development. And we in Louisiana have learned, during the 65 years that we have hosted federal offshore oil and gas development, that the pipelines necessary for this production to reach markets have contributed significantly to and accelerated our coastal land loss. By recent estimates, we have lost approximately 1800 square miles of our coastal areas since 1930, roughly the size of Rhode

Island. The immense cost to the nation of those lost 1800 square miles of Louisiana became abundantly clear when a less protected and more vulnerable New Orleans metropolitan area suffered catastrophic damage after Hurricane Katrina, which cost the federal government over $120 Billion.

When I came to the Senate in 1996, I considered this unequal treatment of Louisiana and all other coastal states to be a serious problem, and I began many conversations with colleagues on both sides of the aisle. The result of these conversations was the development of a major piece of legislation called the Conservation and Reinvestment Act of 1999 (CARA). That legislation was reported favorably by this committee and its then Chairman, Congressman Don Young, and at the time, Congressman Garret Graves was one of the lead staffers working in support of this effort. Eventually, CARA passed the Republican controlled House of Representatives May 11, 2000 by a vote of 315 to 102. A slightly modified version of the bill was ordered reported from the Senate Energy and Natural Resources Committee July 25, 2000 by a vote of 13 to 7. September 14, 2000, CARA was placed on the calendar of the Republican-controlled Senate, and despite a bipartisan letter to the Majority and Minority Leaders from 62 Senators asking that CARA be scheduled for an immediate vote; some complicated politics prevented the Senate from acting.

CARA was based on the understanding that federal offshore oil and gas is a capital asset of the nation and that the production of federal offshore oil and gas results in the liquidation of that capital asset. The CARA proponents – and there were over 5000 organizations and elected officials in that group – wisely believed that a portion of this liquidated capital asset should be reinvested – automatically, annually and without need for appropriation - in sustaining capital assets of the nation. This view is a conservative and common sense approach to the proper allocation of capital assets. Capital assets should not be liquidated to pay for operating expenses as every business person and economist understands. The revenue from CARA would have supported our national parks – including their maintenance, management and conservation of our fish and wildlife, support for the Land and Water

Conservation Fund, and historic preservation. CARA contained a formula for distributing annually a portion of federal offshore oil and gas funds to all 35 coastal states and territories for coastal conservation. Those coastal states closest to offshore federal oil and gas development received a larger share of those revenues, but it was not an incentive to Louisiana, Mississippi, Texas or Alabama to support federal offshore development. We'd been supporting federal offshore development for 50 years! Rather, it was a matter of fairness and recognition of a partnership to share a portion of federal revenues with those states being impacted by development, just as we've done since 1920 for our interior producing states.

While CARA did not pass, Louisiana and other Gulf Coast states finally received a share of those revenues with the passage of the Gulf of Mexico Energy Security Act of 2006. However, due to budgetary constraints, the revenues did not begin flowing to these states until FY2017. So, Texas, Louisiana, Mississippi and Alabama now finally receive a share of federal production generated adjacent to our states. However, it is a much smaller share than the Minerals Lands Leasing Act provides to interior states, because the amount of federal revenue to be shared is capped at $500 Million and 12.5% of those revenues go to the state side of the Land and Water Conservation Fund.

In conclusion, I believe that the partnership that has worked so well for the interior states to develop federal resources should be established for the coastal states that also host federal offshore mineral development, and that to secure broad support for such a measure, a sharing mechanism should be established for all coastal states.

Finally, to restate the obvious, the development of onshore and offshore resources is the liquidation of a capital asset, and a portion of that asset should be reinvested in sustaining capital assets of the nation. This is sound fiscal and economic policy. I hope the committee can see the wisdom of this approach, and I look forward to working towards that goal in a bipartisan manner in any way possible.