Modest revenues due state from 8(g) settlement

The Senate today indicated its support for a proposed settlement of the 8(g) OCS leasing revenue dispute, which is part of the budget reconciliation bill, by rejecting an amendment. Senators Ted Stevens and Frank Murkowski made this announcement following the 54-45 vote.

"Despite federal court decisions in our favor, the coastal states have not been able to work out a revenue division agreement with the federal government," Stevens explained. "This settlement will end litigation over section 8(g)."

"This was one vote Alaska could not afford to lose," Murkowski said. "Once approved, the 8(g) legislation will allocate up to $165 million in offshore oil revenue to our state money the federal government has held from us for the past seven years."

Under section 8(g) of the Outer Continental Shelf Lands Act Amendments of 1978, revenues from federal oil and gas leases in the 8(g) zone—a three-mile strip of federal OCS lands bordering state submerged lands—were escrowed pending a "fair and equitable" division of the revenues between the federal government and coastal states. That escrow account now totals more than $5.8 billion.

Under the settlement proposed in the reconciliation bill, 27% of currently escrowed and future 8(g) revenues, including royalties, would go to the states. The remaining 73% of the revenues would go to the federal government. The settlement also includes a recoupment provision that would compensate coastal states for losses prorationing policy. The amendment defeated today would have deleted 27% sharing for royalites and the recoupment provision.

"This provision establishes a formula for sharing which is modest," Murkowski said. "By giving coastal states only 27% of revenues generated by oil and gas leases in a very limited area of the continental shelf, it attempts to provide coastal states with a small portion of substantial revenues generated by oil and gas develpment off their shores."

"It is consistent with the budget resolution and the 1978 law," Stevens concluded. "It treats both the state and federal governments fairly."

"Offshore oil and gas exploration and development imposes burdens on coastal states like Alaska," Murkowski said. "It requires the development of the infrastructure necessary to support the exploration and development to meet the increased demand for schools, social services and other amenities brought about by that activity. As an equitable matter, the states deserve a share of the federal revenues for these contributions."

The reconciliation bill was approved by the Senate this evening.