

JUDD GREGG, NEW HAMPSHIRE, CHAIRMAN

PETE V. DOMENICI, NEW MEXICO
CHARLES E. GRASSLEY, IOWA
WAYNE ALLARD, COLORADO
MICHAEL ENZI, WYOMING
JEFF SESSIONS, ALABAMA
JIM BUNNING, KENTUCKY
MIKE CRAPO, IDAHO
JOHN ENSIGN, NEVADA
JOHN CORNYN, TEXAS
LAMAR ALEXANDER, TENNESSEE
LINDSEY O. GRAHAM, SOUTH CAROLINA

KENT CONRAD, NORTH DAKOTA
PAUL S. SARBANES, MARYLAND
PATTY MURRAY, WASHINGTON
RON WYDEN, OREGON
RUSSELL D. FEINGOLD, WISCONSIN
TIM JOHNSON, SOUTH DAKOTA
ROBERT C. BYRD, WEST VIRGINIA
BILL NELSON, FLORIDA
DEBBIE STABENOW, MICHIGAN
JON S. CORZINE, NEW JERSEY

SCOTT B. GUDES, MAJORITY STAFF DIRECTOR
MARY ANN NAYLOR, STAFF DIRECTOR
www.budget.senate.gov

United States Senate

COMMITTEE ON THE BUDGET
WASHINGTON, DC 20510-6100

June 23, 2005

Dear Republican Colleague,

In my capacity as Chairman of the Senate Budget Committee, I want to clarify certain facts regarding an amendment likely to be proposed by Sen. Domenici on behalf of Sen. Landrieu, Sen. Vitter, and others to provide \$1.0 billion in direct spending for just 6 states – Alabama, Alaska, Louisiana, Mississippi, California, and Texas – to ostensibly mitigate the coastal impact of offshore drilling.

This new program is authorized in the underlying Energy bill, but as reported out of the Energy Committee the funding was subject to the appropriations process. The main thrust of the floor amendment is to make the funding direct spending which effectively turns the program into an entitlement for these six states.

In addition, as added in Committee, this program in effect creates a block grant for six beneficiary states that allows them to use the money for “onshore infrastructure projects and public service needs” – which essentially means for any purpose whatsoever including the cost of running state government, building casinos, boardwalks, etc. – as long as they are willing to attest that the intent is to “mitigate the impact of outer Continental Shelf activities.”

When Congress passed this year’s Budget Resolution it provided a Reserve Fund of \$2 billion for an Energy bill in order to support energy conservation, security, efficiency, and production. As Budget Chairman, I have already released almost \$800 million of that Reserve to the Energy Committee to cover the net cost of direct spending in the Committee’s bill in furtherance of those energy goals.

The Landrieu/Vitter amendment seeks to tap the remaining \$1.2 billion in the Reserve Fund for purposes that have little to do with the Energy bill’s original objectives – or even the new 6-state program’s stated goals in Committee of conservation and sustainable development. Of particular note is the fact that there are no incentives to increase Energy production in exchange for this assistance – which was the main rationale for providing this assistance when it was first proposed 4 or 5 years ago.

The bottom line is that this amendment seeks to spend more money in new direct spending on just 6 states than the underlying Senate Energy bill does for all the other states combined. These

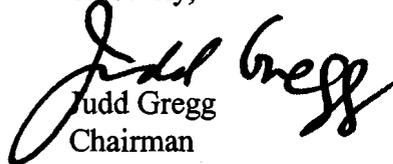
same 6 states already receive 27 percent of federal OCS lease receipts from offshore drilling in areas in close proximity to their coasts.

Louisiana already by law is given 70 percent of the gas tax revenues collected on fuel used in "small engines" like lawnmowers, snow blowers, etc. all over the country which is \$51 million a year. This amendment would give Louisiana 54 percent of the funds each year or another \$135 million per year for Louisiana in direct spending.

The precedent in the Senate is that the Budget Chairman can only release funds once before the initial consideration of a bill and then once before the beginning of a conference with the House. As mentioned earlier, I have already in consultation with the Energy Committee Chairman released the necessary funds in order to consider the Energy bill. As a result, the Landrieu/Vitter amendment will be subject to a point of order on the floor because it exceeds the Committee's allocation under section 302(f) of the Budget Resolution.

The Administration opposes the amendment and supports the point of order in order to maintain budget discipline.

Sincerely,

A handwritten signature in black ink, appearing to read "Judd Gregg". The signature is written in a cursive style with a large initial "J".
Judd Gregg
Chairman