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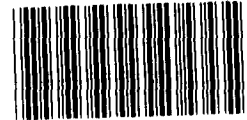
ENERGY AND MINERALS  
DIVISION

RELEASED

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B-204406

The Honorable Toby Moffett  
Chairman, Subcommittee on  
Environment, Energy, and  
Natural Resources  
Committee on Government Operations  
House of Representatives



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Dear Mr. Chairman:

Subject: The Office of Management and Budget's Influence  
in Redesigning the Interior Department's Offshore  
Leasing and Development Program (GAO/EMD-82-93)

In July 1981, you and a number of other Members of Congress asked the General Accounting Office to review the Interior Department's proposed plan to accelerate offshore hydrocarbon leasing and development. One aspect of the request was to determine the influence of non-Interior agencies in the development of the administration's program.

In our December 18, 1981, report "Pitfalls in Interior's New Accelerated Offshore Leasing Program Require Attention" (EMD-82-26), we commented that Interior Secretary James Watt's February 1981 decision to develop a new program, and the subsequent redesign of the program, appeared to have been done within Interior with little or no input from other Federal agencies. However, we qualified our conclusion, stating that we had not been given access to the Outer Continental Shelf (OCS) files of the Office of Management and Budget (OMB), thus we could not ascertain the extent of OMB's influence in redesigning the program.

In January 1982, after reviewing our report, you asked that we renew our efforts to obtain the information we had not been able to gather during our review. We have pursued the issue and, after a series of discussions and meetings, were given access to information and documentation depicting OMB's role in the redesign of the program. Our review was performed in accordance with GAO's current "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions." Basically, our review of the information, along with discussions with OMB officials, disclosed no evidence that OMB had a substantial influence over the Interior Department in redesigning the leasing program.

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According to OMB officials, the Reagan administration had a predetermined agenda when it was elected. During the transition process and in early days of the new administration, there were numerous Cabinet-level meetings to decide how various agenda items that the President had campaigned on would be implemented. Accelerated mineral leasing, particularly offshore oil and gas development, was one such agenda item. We were told that OMB Director David Stockman, as well as Interior Secretary Watt, were continually involved in these meetings, and that Director Stockman requested information from the OMB staff for his use in discussing various OCS leasing options and questions in these meetings.

One OMB discussion paper we reviewed, titled "Mineral Leasing Acceleration," discusses the revenue impacts of two offshore leasing options--(1) shortening of the sale preparation process by eliminating unnecessary sale-specific environmental analysis and (2) adding more lease sales. With regard to shortening the sale preparation process, the paper concluded that exercising this option could increase receipts by \$750 million each year. No estimates were given for the second option, but another version of this paper estimated that an additional \$1.25 billion would be realized in fiscal year 1983 by adding more sales. For fiscal years 1984 and 1985, the additional revenue was estimated at \$2.6 billion and \$3.5 billion, respectively. The paper warns that the options are risky and could lead to litigation, which would delay or prevent sales. According to OMB officials, these options were proposed by the administration's transition team and were provided to the OMB staff for comment by the OMB Director. We did note that a draft of this paper was discussed with Interior's Office of OCS Program Coordination on February 2, 1981. According to OMB officials, this meeting was to seek Interior's view on the paper proposed for Director Stockman on the impacts of accelerated OCS leasing. Interior records show that the Office of OCS Program Coordination suggested some technical modifications to the draft and also recommended revising the fiscal years 1984 and 1985 revenue estimates downward to \$2.5 billion or \$2.6 billion for both years.

We also reviewed several other documents prepared by the OMB staff addressing OCS leasing. We found no evidence, at least below the Cabinet level, that these documents were used to influence Interior's thinking in revising the leasing program. As we reported in our "Pitfalls" report, Interior had efforts underway as early as August 1980 seeking ways to streamline the program. The newly elected administration campaign promise to accelerate leasing and Interior's December 1980 task force report on ways to streamline the offshore program were complementary initiatives, which apparently led to the decision to revise the program. Also, we did not find that the need to generate revenues for the U.S. Treasury was the main force in deciding to redesign the offshore program. However, the documents we reviewed clearly show that the

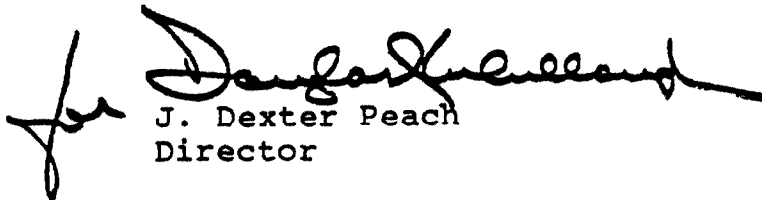
revenue impacts of accelerated leasing were considered by OMB and provided to Director Stockman for his use in Cabinet-level discussions on the program. The "Mineral Leasing Acceleration" document discussed above is illustrative of such consideration.

In summary, our review indicated that there was little contact below the Cabinet level between OMB and Interior during the time the decisions were being made on the accelerated offshore leasing program. There may have been discussions of the need to accelerate leasing at the Cabinet-level meetings during the transition and early days of the Reagan administration. However, based on the campaign pledges of the Reagan administration and the accelerated leasing views of the new Interior Secretary, we would assume that there would be general agreement between them on the direction of the offshore leasing program.

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At your request, we did not take the additional time to obtain agency comments on the matters discussed in this letter. Also, as arranged with your office, we are sending copies of this letter to Chairman John D. Dingell, Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce; Chairman Walter B. Jones, House Committee on Merchant Marine and Fisheries; and the 14 other House Members who requested the "Pitfalls" report. At that time, copies will also be sent to the Director, Office of Management and Budget; the Secretary of the Interior; other House and Senate committees and subcommittees having oversight and appropriation responsibilities for the offshore leasing and development program; and other interested parties.

Sincerely yours,

 J. Dexter Peach  
Director