Feds to Restore Cuts in Mineral Payments to States

MATTHEW BROWN, Associated Press

BILLINGS, Mont. (AP) — Dozens of states will receive a combined $110 million in mineral leasing payments in coming months after federal officials reversed course in a dispute over automatic spending cuts.

Interior officials previously defended the cuts by saying they had no choice in the matter under budget rules now in place. But they said Monday that a legal review of the underlying Mineral Leasing Act prompted them to change course.

More than two dozen states had been denied a portion of their payments for 2013, under automatic spending cuts put in place after Congress failed to agree on a deficit reduction plan.

Critics had said the government had no right to withhold the money from states that bear the brunt of the impacts from oil, gas and coal extraction from federal lands.

U.S. Sen. Tom Udall, a New Mexico Democrat, said the administration's reversal showed it had "seen reason."

"These funds are the result of an existing agreement for mineral development," Udall said in a statement. "The government shouldn't be using them to balance its books."

The decision by the Interior Department comes after Western lawmakers and governors pressed the Obama administration to restore the money, derived primarily from payments by companies for oil and gas leasing and production royalties.

The Interior Department says the money will be given to the states sometime after the end of the fiscal year on Sept. 30, assuming the current law stays in place.

The cuts trimmed about 5 percent from all the states' shares. Wyoming led the list of potential losers, with at least $53 million at stake for 2013. New Mexico would have lost $26 million.

The $110 million figure for all the states combined is only an estimate since the fiscal year does not end until Sept. 30 and all payments have not yet been collected.

Payments from revenues received in 2014 also will be withheld until the end of that fiscal year if the automatic budget cuts remain in place and unchanged, said

spokesman Patrick Etchart with Interior's Office of Natural Resources Revenue.

He said the process of withholding the money requires additional work by the agency, but it has no choice under the current budget rules.

"We are obliged to follow the law and that is what the law stipulates," he said.

Mineral leasing revenues are typically split roughly evenly between the states and the Interior Department. The government last year paid $2.1 billion to the states under that program.

A spokesman for Wyoming Gov. Matt Mead said he was pleased to get the news that the money would be returned to the state, but was awaiting further details on what might happen in future years.

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