Policy Resolution 2026-02

States' Share of Royalties and Leasing Revenues from Federal Lands and Minerals

A. BACKGROUND

Across the West, a complex patchwork of landownership exists, with significant portions being owned and managed by the federal government. These lands contain a vast array of valuable natural resources including fuel and nonfuel minerals, timber, and sites for renewable energy development. The federal government leases or sells these resources to private entities, generating substantial revenue for states and the federal government.

To compensate for the tax-exempt status of these lands and in recognition of the principles of cooperative federalism, Congress has legislated longstanding revenue sharing programs. These programs direct a fixed portion of the revenues generated from the sale or lease of these federal resources to the states and local governments in which they occur to provide infrastructure and deliver services. These historic agreements are codified under several laws, including but not limited to the Mineral Leasing Act of 1920, the Federal Oil and Gas Royalty Management Act of 1982, the Geothermal Steam Act of 1970, and the Surface Mining Control and Reclamation Act.

Despite the fact that these funds are statutorily owed to states, these revenue sharing agreements have previously been the target of federal deficit reduction efforts, appropriations, and budget sequestration, with the federal government proposing or implementing delays and diversions of royalty payments owed to states. These agreements and programs are not discretionary federal expenditures and should not be diminished due to federal fiscal or budgetary decisions. Federal agencies simply administer the distribution of those revenues to states.

Additionally, federal processes and regulations can create uncertainty or slow the pace of sales and leases of federal resources, adversely affecting states' timely receipt of their share of these essential revenues. Despite their significant interest in these revenues, states are often limited from participating in decisions affecting these revenues and are often treated as general stakeholders, instead of being involved on a government-to-government basis.

B. GOVERNORS' POLICY STATEMENT

1. The federal government must honor its fundamental federalism and explicit statutory obligations to share royalty and lease payments with states and counties in the West to compensate them for the effects associated with federal land use and nontaxable lands within their borders.

2. Shared revenues and payments to states and counties under these programs should not be treated as federal expenditures or income. The federal government has no option except to transfer these pass-through funds to qualifying states. The federal government may not make payment of these funds to any other program or entity.

3. Governors support legislation that clarifies the unique nature of these programs and that assures states will receive full payment of statutorily guaranteed shares of receipts.

4. Governors support legislation, regulatory changes, and agency practices that provide transparency and certainty, ensure fair value for the American public, reflect changes in market conditions, and more efficiently administer the sales and leases of the resources on these federal lands.

5. Governors support efforts to eliminate the two percent administrative fee that is imposed on states' annual revenues. Given the revenue sharing nature of these funds, federal agencies and states should share these administrative costs.

6. Governors support early, meaningful, substantive, and ongoing state engagement in the development, prioritization, and implementation of federal environmental statutes, policies, rules, programs, reviews, budget proposals, budget processes and strategic planning. Congress and appropriate federal agencies should provide expanded opportunities for such involvement. This includes when considering changes to federal resources and royalty policy, especially during regulatory processes that may affect royalty payments to states.

7. Western Governors urge the Department of the Interior to clarify processes that may affect when and how royalty payments are reconciled, which can affect how states receive revenue flows. Governors call for greater transparency and improved state-federal partnership on the implementation of new policies and regulations to ensure the stability and predictability of revenue flows.

C. GOVERNORS' MANAGEMENT DIRECTIVE

1. The Governors direct WGA staff to work with Congressional committees of jurisdiction, the Executive Branch, and other entities, where appropriate, to achieve the objectives of this resolution.

2. Furthermore, the Governors direct WGA staff to consult with the Staff Advisory Council regarding its efforts to realize the objectives of this resolution and to keep the Governors apprised of its progress in this regard.

This resolution will expire in December 2028. Western Governors enact new policy resolutions and amend existing resolutions on a semiannual basis. Please consult http://www.westgov.org/resolutions for the most current copy of a resolution and a list of all current WGA policy resolutions.