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U.S. House of Representatives
Committee on Natural Resources
Washington, DC 20515

October 14, 2011

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Senator Patty Murray
Co-Chair
Joint Select Committee on Deficit Reduction
448 Russell Senate Office Building
Washington, DC 20510

Representative Jeb Hensarling
Co-Chair
Joint Select Committee on Deficit Reduction
129 Cannon House Office Building
Washington, DC 20515

Dear Senator Murray and Representative Hensarling:

The Budget Control Act of 2011 (P.L. 112-25) authorizes each House and Senate Committee to transmit recommendations to the Joint Select Committee on Deficit Reduction (Joint Committee) for changes in law within the committees' jurisdiction to reduce the deficit. Unfortunately, the House Natural Resources Committee has thus far failed to hold a formal, transparent Committee business meeting to develop such recommendations. Rather, the Committee Majority used the current budget crisis as an opportunity to revisit a long-running, partisan stalemate regarding oil and gas drilling in the Arctic National Wildlife Refuge, a proposal which raises only about \$3 billion over the next decade.

We strongly urge the Joint Committee to focus on measures that will assist job creation, economic growth, and create opportunities for small businesses to expand. Sound stewardship of our public lands, including our national parks, recreation areas, refuges, wilderness areas, and national monuments, promotes job creation in the surrounding regions. We urge the Joint Committee to keep that in mind as you consider funding levels for our public lands.

At the same time, we believe that a thorough review of deficit reduction proposals within the jurisdiction of the Natural Resources Committee reveals a broad range of possibilities offering significantly more potential to reduce our nation's deficit, without threatening our nation's environment. We would therefore recommend that the Joint Committee include the following proposals in any deficit reduction proposal recommended to the Congress:

Reform of the General Mining Law of 1872: This 19th century law allows the purchase of valuable public lands at 19th century prices, and removal of valuable minerals, including gold, silver and uranium, from public lands without a royalty payment to the taxpayers. Based on data provided to the Democratic Staff by the Congressional Research Service, at least \$2.4 billion worth of hardrock minerals were produced from public lands in 2010. A royalty rate on hardrock mining comparable to the royalties charged for onshore oil and gas produced from public lands (12.5%) would return at least \$300 million a year to the treasury.

Abandoned Hardrock Mine Lands Fee: According to the Environmental Protection Agency and the Congressional Research Service, there are over 500,000 abandoned mine locations (AMLs) on public and private lands in the United States,¹ with approximately 100,000 sites on BLM and Forest Service lands.² Cleanup of these AMLs is currently paid for by the taxpayer, rather than the mining industry. The Obama Administration has proposed a 7 cent per ton reclamation fee for material that is displaced during mining operations. This proposal would raise \$200 million per year over ten years. Implementing this fee would lower discretionary spending on mine cleanup currently paid for by the taxpayer.

Ending Mandatory Abandoned Mine Lands Payments to Certified States and Tribes: Under current law, a small, per-ton fee is charged for coal mining operations, with the revenue divided between remediation of coal mine sites and unrestricted payments to states where coal mining occurs. The Obama Administration has proposed eliminating the unrestricted payments to states that are certified as having successfully remediated all existing sites. Because these states have completed all needed remediation, ending these payments would have no impact on remaining remediation projects elsewhere. The Administration estimates this proposal would save \$1.2 billion over ten years.

Repeal GOMESA Revenue Sharing: The Gulf of Mexico Energy Security Act (GOMESA) of 2006 (P.L. 109-432) provides 37.5 percent of qualified revenues from oil and gas production on public lands offshore in the Gulf to Alabama, Louisiana, Mississippi and Texas. Pursuant to the law, the amount of revenue due those four states will increase dramatically beginning in Fiscal Year 2017. Repealing this revenue sharing authority would increase revenue to the Treasury by nearly \$2 billion over ten years and \$150 billion over the next 60 years, according to the Department of the Interior. Committee Democrats have introduced legislation, H.R. 2673, the Gulf Coast Oil and Gas Royalty Giveaway Repeal and Deficit Reduction Act, which would repeal the revenue sharing provisions of the 2006 law.

¹ Congressional Research Service, *Cleanup at Abandoned Hardrock Mines: Issues Raised by Good Samaritan Legislation in the 109th Congress*. RL33575, December 2006.

² GAO Testimony before the Committee on Energy and Natural Resources, U.S. Senate. Information on State Royalties and the Number of Abandoned Mine Sites and Hazards. GAO-09-854T, July 2009. See also, EPA's National Hardrock Mining Framework at <http://www.epa.gov/aml/policy/hardrock.pdf>

Close the Royalty Relief Loophole: Thanks to an oil company court challenge to the Deepwater Royalty Relief Act of 1995 (P.L. 104-58) companies are able to drill on some leases in the Gulf of Mexico without paying any royalties to the American taxpayers. Incentivizing these companies to renegotiate these leases in order to pay a fair return to the public could save taxpayers more than \$9 billion over 10 years according to the Department of the Interior. The Government Accountability Office has estimated that taxpayers stand to lose up to \$53 billion over 25 years from these faulty leases. House Democrats have introduced H.R. 1352, the Deficit Reduction Through Fair Oil Royalties Act, which would provide a strong incentive for oil companies to renegotiate their faulty leases to pay royalties. Similar legislation has passed the House in each of the last three Congresses.

Repeal Additional Royalty Relief: The Energy Policy Act (EPACT) of 2005 provided additional royalty relief to oil and gas companies drilling offshore. Repealing these provisions would save taxpayers nearly \$200 million over the next 10 years, according to the Department of the Interior. House Democrats have introduced legislation, H.R. 501, which would repeal these unnecessary incentives to oil companies drilling offshore.

Fee on Non-producing Oil and Gas Leases: A review by the Interior Department in March documented that energy companies hold thousands of leases covering millions of acres, both on and off-shore, on which they are not producing. The Administration has proposed a \$4 per-acre fee on these non-producing leases to incentivize production and raise revenue. It is estimated that this fee would generate \$874 million over ten years while also increasing domestic energy production. Committee Democrats have introduced legislation, H.R. 927, the USE IT Act, which would impose such a fee.

Increase On-shore Royalty Rates: The Government Accountability Office has found that the federal government receives one of the lowest shares of revenue from oil and gas production on federal lands compared with other countries.³ The Administration is currently reviewing increases to the royalty rates for oil and gas production on-shore, which have not been increased in 25 years. This proposal is estimated to raise \$900 million in additional revenue over ten years.

Repeal Oil and Gas Fee Prohibition and Mandatory Permit Funds – The Administration has proposed to repeal portions of Section 365 of the Energy Policy Act, beginning in 2013. Section 365 diverted mineral leasing receipts from the U.S. Treasury to a fund for processing permits and also prohibited BLM from establishing cost recovery fees for processing applications for permits to drill for oil and gas. Congress has implemented permit fees through appropriations language for the last several years and the 2012 budget proposes to continue this practice. The Administration projects that savings from terminating this mandatory funding are estimated at \$20.0 million in 2013 and \$57.0 million over three years.

³ GAO, Federal Oil and Gas Resource Management and Revenue Collection in Need of Comprehensive Reassessment. GAO-09-506T, March 2009.

Increase Offshore Oil and Gas Inspection Fees: The Administration has proposed increasing inspection fees for offshore rigs by \$55 million in the FY2012 budget in order to help fund the agency responsible for inspections. The BP Spill Commission has similarly recommended increasing inspections fees “significantly” to fund the regulation of oil and gas operations offshore. Committee Democrats have introduced H.R. 2566, the No Free Inspections for Oil Companies Act to give the Department of the Interior the authority to increase inspection fees to fund its offshore inspection activities. This change could save taxpayers more than \$500 million over the next 10 years.

Recover Oil and Gas Administrative Costs: The federal government and the States split the royalties from oil and gas activities on federal lands 50-50 even though the federal government pays 100 percent of the costs to administer the oil and gas program. As early as 1993, the Congress required the Department of Interior to retain a portion of the States’ share of these royalties to offset the States’ share of this cost. Under current appropriations law, two percent of oil and gas royalties are retained by the Department of Interior to offset the administrative costs of the program. The Republican majority has proposed ending this policy. Making permanent the Department’s ability to offset the administrative costs of the oil and gas program would save approximately \$413 million over ten years.

Repeal Geothermal Revenue Sharing: The Energy Policy Act of 2005 (P.L. 109-58) diverted a portion of revenue from geothermal leasing to local counties. Permanent repeal of this authority would generate \$80 million over ten years.

Reform of Grazing Law: Under current law,⁴ the Bureau of Land Management (BLM) charges \$1.35 per AUM⁵ to graze on public land. Grazing fees have not changed since 1996, and are significantly lower than in decades past. For example, the BLM charged \$2.31 per AUM in the 1980s. Western States charge between \$9/AUM (Arizona) and \$18/AUM (Washington), with the average throughout the Western States is \$15.00/AUM.⁶ The BLM and USFS spent \$120 million to administer the grazing program in 2009 and took in \$17 million in receipts, representing a \$100 million loss to the taxpayer. Increasing fees to the average amount would raise \$230 million, resulting in a net profit of \$110 million a year to the Treasury.

Repeal Tax Breaks for Oil and Gas Companies: While the various tax provisions benefitting large oil companies are not within the jurisdiction of the Natural Resources Committee, it is important to note that repeal of these provisions is estimated to add more than \$43 billion to the Treasury over ten years.

⁴ Public Rangelands Improvement Act of 1978, P.L. 95-514, 92 Stat. 1803; 43 U.S.C. §§1901, 1905

⁵ AUM stands for Animal Unit Month, which is the amount of forage needed to sustain a cow and her calf, a horse, or five sheep for one month.

⁶ http://www.nass.usda.gov/Charts_and_Maps/Grazing_Fees/gf_am.asp

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These proposals would reduce our nation's deficit by approximately \$20 billion over ten years while incentivizing domestic energy production and improving the health of our public lands and waters. Combined with repeal of the tax breaks currently enjoyed by large oil companies, these policy changes would raise \$63 billion over ten years. In contrast, even the most generous estimates predict opening the Arctic National Wildlife Refuge to drilling will result in \$3 billion in federal revenue over ten years, while doing significant damage to the crown jewel of our National Refuge System.

The enormity of the task before the Joint Committee demands serious proposals. We believe that the proposals we have put forward would significantly assist in achieving the goal mandated for the Joint Select Committee and we stand ready to assist the Joint Committee in this endeavor.

Sincerely,



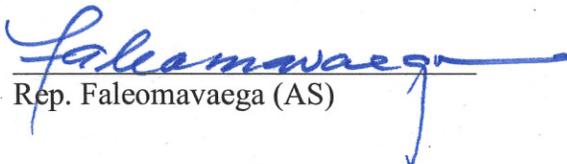
Edward J. Markey
Ranking Member



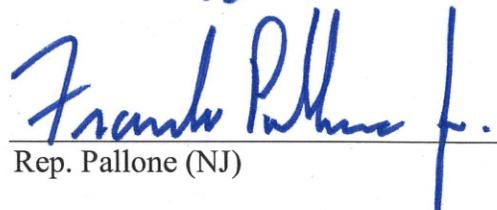
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