



Honorable Alan Lowenthal
United States House of Representatives
108 Cannon House Office Building
Washington, DC 20003

Honorable Paul Gosar
United States House of Representatives
2057 Rayburn House Office Building
Washington D.C. 20515

September 24, 2019

Dear Chairman Lowenthal and Ranking Member Gosar:

Western Leaders Network, a nonprofit organization of 300 local and tribal elected officials across the Interior West, write in support of the Taxpayer Fairness for Resource Development Act of 2019, HR 4364, legislation that modernizes the federal government's long-outdated oil and gas fiscal policies to enhance financial returns to the United States. In the West, a vast percentage of our states are composed of public lands, which are a crucial pillar of our economic sustainability and quality of life. Public lands support everything from outdoor recreation, to agriculture, to energy development, and as local, elected officials, it is our responsibility to protect this public resource on which our communities rely so heavily. That is why we support reforming our outdated federal oil and gas leasing policies to ensure that our constituents – taxpaying citizens – receive a fair return on the development of their lands.

The oil and gas industry represents a substantial piece of the economic pie for many western communities. But as fiscal policy currently stands, taxpayers are not receiving fair market value for the commercial development of publicly owned resources, which they are guaranteed under the Federal Land Policy and Management and the Mineral Leasing Act.

Most revenue from the Bureau of Land Management's oil and gas program comes from three sources: royalties, rentals and minimum lease bids, and the policies that govern all three are outdated. The 12.5 percent onshore royalty rate has not changed since 1920, and neither the rental rate nor the minimum acceptable bid for BLM oil and gas leases have been updated since 1987. These federal rates and standards, which have fallen behind states, are problematic on many counts: they do not account for inflation or increased oil and gas production, which has more than doubled from roughly 45,000 to over 96,000 since 1985. They also allow potential oil and gas producers to cheaply hoard federal lands – even if the companies don't intend to develop – and prevent them from being managed for other income-generating activities, such as outdoor recreation.

The Government Accountability Office and the Congressional Budget Office both have found that increasing royalty rates could increase revenues by \$20 to \$38 million annually with minor impacts on oil and gas production. Moreover, all major oil and gas producing western states have higher royalty rates than the federal rate, and states including Colorado and Texas have reported to GAO no significant impact on production.

As a resource owned by the American people, it is imperative that public lands and the activities they support are governed by modern, responsible policies that protect both the resource and taxpayers. Bringing the federal onshore oil and gas program into the 21st century would likely generate millions of dollars more in taxpayer revenue in the process without crippling the oil and gas industry. The additional revenue would benefit western communities in the form of needed public services and infrastructure, and American citizens' public lands would be protected from cheap speculation. We ask that you keep the public interest at heart and support necessary reforms to oil and gas fiscal policies by passing HR 4364.

Sincerely,

A handwritten signature in black ink that reads "Gwen Lachelt". The signature is written in a cursive, flowing style.

Gwen Lachelt, Executive Director
Western Leaders Network

Cc: The Honorable Ben McAdams; The Honorable Francis Rooney

Western Leaders Network

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