



March 22, 2021

Dear Representative,

As groups devoted to good government and responsible management of public funds, we write to bring your attention to new legislation, the Ending Taxpayer Welfare for Oil and Gas Companies Act of 2021 (H.R. 1517). This important new measure would modernize the country's onshore leasing system by updating some terms for the first time in a century and bringing taxpayer returns in line with market rates. We urge you to support the bill to promote better management of public resources and generate more revenue in tight budget times.

The current system for oil and gas development on federal lands leaves billions of dollars on the table. The Ending Taxpayer Welfare for Oil and Gas Companies Act would institute a series of reforms including increasing the rental rate, minimum bids, and royalties the federal government collects from companies leasing and producing oil and gas on federal lands. These long-needed reforms will help ensure the American taxpayer finally receives a fair return for publicly owned resources. Because half of all revenue from federal oil and gas is shared with the state where it is produced, updated terms for federal leasing will mean more revenue for struggling state budgets.

Congress last set the minimum royalty rate for onshore oil and gas leases at 12.5% in 1920, and federal agencies have not raised it since. The bill would correct this oversight by bringing the onshore royalty rate in line with what many states charge and the rate for offshore federal production.¹ According to the Congressional Budget Office, increasing the federal royalty rate to 18.75% would increase federal receipts by \$200 million over the next 10 years with little or no impact on levels of production.² States would receive \$200 million as well, and much more beyond the budget window.

Making a government that works for taxpayers means managing federal resources responsibly. We urge you to support this bill and help taxpayers get what we are due from federal oil and gas development.

Sincerely,

Steve Ellis
President
Taxpayers for Common Sense

Danielle Brian
Executive Director
Project On Government Oversight

¹ Taxpayers for Common Sense, *Overhauling Fiscal Management of Oil & Gas Leasing* (March 2, 2021).

https://www.taxpayer.net/wp-content/uploads/2021/03/TCS_Ending-Taxpayer-Welfare-for-OG-Cos.-Fact-Sheet-final.pdf

² Congressional Budget Office, *Options for Increasing Federal Income From Crude Oil and Natural Gas on Federal Lands*, 51421, (April 2016), 3. http://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51421-oil_and_gas_options.pdf