Public Employees for Environmental Responsibility
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January 23, 2017

Chairman Mike Enzi
Senate Budget Committee
624 Dirksen Senate Office Building
Washington, DC 20510

Senator Bernie Sanders
Ranking Member
Senate Budget Committee
332 Dirksen Building
Washington, D.C. 20510

RE: Nomination of U.S. Representative Mick Mulvaney as OMB Director

Dear Senators Enzi and Sanders:

I am writing on behalf of Public Employees for Environmental Responsibility (PEER) to request that you ask the nominee for Director of the White House Office of Management & Budget (OMB), U.S. Representative Mick Mulvaney, concerning his plans to reform current U.S. fiscal policies governing resource extraction from public lands.

According to numerous reports by both federal watchdogs, such as the Government Accountability Office, and private researchers, federal land and water management practices are a substantial drain on taxpayers. As the title of the 2011 report from the Resource Renewal Institute "Recovering $600 Billion by Collecting the Rent" suggests, these losses are unsustainable and call for OMB attention.

Many of the deficit hawk budget plans focus on reducing federal expenditures while ignoring collection of revenue. PEER urges you to solicit Rep. Mulvaney's consideration of revenue potential forfeited by long-standing policies that subsidize abuse of both our public resources and treasury.

Quite simply, PEER suggests that the Committee explore with this OMB nominee whether he is willing to apply basic business principles to end the gushers of red ink run up each year by money-losing federal timber sales, grazing, mining, drilling, and irrigation programs:

- Many ***federal timber*** sales cost more for preparing the area for loggers than they receive in receipts from the sale of the timber; Under President Clinton, the U.S. Forest Service drafted a plan to phase out below-cost timber sales on more than half of the national forests over four years. However, that plan was never implemented.

Question for Rep. Mulvaney:
Will you explore reducing the number and public expense of money-losing federal timber sales?

- The U.S. has a policy of ***royalty-free hard-rock mining***. The federal government has given away more than $200 billion in mineral reserves through royalty-free mining coupled with rock-bottom prices ($5.00 per acre) for resource-rich public lands. By contrast, the royalty rates of other extractive industries is 12.5 percent.

  Compounding the lack of revenue are the heavy cleanup costs that the taxpayer bears for trying to clean up the hundreds of thousands of abandoned hard-rock mines. In addition, many of these abandoned mining features pose physical safety hazards, such as open and unstable shafts.

  Questions for Rep. Mulvaney:
  Will you support reforming the 1872 Mining Act by bringing it into the 21st century and into accord with the policies of other developed nations?

  How will a Trump administration ensure that taxpayers will not continue to be stuck with the bill for cleaning up abandoned mines?

- ***Below-market federal grazing fees*** mean that ranchers pay only a tiny fraction of the direct costs for grazing and taxpayers subsidize the remaining costs. Although the federal fee per animal unit month (AUM – a month's use and occupancy of the range by one animal unit) was raised to $2.11 in 2016, the fee is still far below a fair market value. The collected fees are divided among the Treasury, states, and federal agencies.

  Question for Rep. Mulvaney:
  Do you support raising the federal AUM to something remotely close to fair market value?

- The U.S. receives one of the ***lowest government takes from oil and gas in the world*** from leases, royalties, and fees. In addition, purchasing a federal oil and gas lease is also relatively cheap. The price to lease 2,500 to 5,670 federal acres is only $5.90 to $9.50 annually and the average lease includes a term of 5 to 10 years. As a result, oil companies are able to lease million acres of federal lands which they can afford to hold without pursuing production. Similarly, only a fraction of the millions of offshore leased acres are producing oil and gas.

  Question for Rep. Mulvaney:
  Will you explore increasing royalties, lease-fees and other payments from oil and gas companies which are reaping robust profits from our public lands?

- The U.S. Bureau of Reclamation does ***not require most of the largest irrigators to pay***

the true cost of infrastructure, delivery, and fees associated with providing federally subsidized water. Two audits released this past October by the Office of Inspector General (IG) for the Interior Department illustrate how egregious the taxpayer losses are from official malfeasance. One audit concluded that Reclamation never collected "repayment of millions of dollars of costs incurred to design, construct, and operate and maintain new head gates and fish screens" within the vast Klamath Project. These gates and screens are supposed to keep federally protected fish "in the river and out of the Klamath project irrigation canals." (Report No.: WR-2015-080-C)

In another audit report dated October 11, 2016, the IG found that Reclamation improperly siphoned $32 million in federal funds intended for drought contingency planning and helping struggling fish populations to a Klamath irrigator's group over several years without the least bit of legal authority to do so. (Report No.: 2015-WR-080)

These tens of millions of dollars lost to the U.S. Treasury are just a small sample of funds being improperly forfeit.

Question for Rep. Mulvaney:
Will you review the extent of illegal and unjustified subsidies by the U.S. Bureau of Reclamation and seek collection of funds owed to the taxpayer?

- If as promised, the Trump administration pushes for ***greater energy and other resource extraction from public lands***, these taxpayer losses could multiply. In addition, already understaffed agencies, such as the U.S. Bureau of Land Management (BLM), cannot keep pace with the current level of oil and gas leasing. Moreover, BLM is insufficiently staffed to ensure that abandoned, non-producing oil and gas wells are reclaimed as required by its own regulations. As a result, thousands of abandoned wells remain unplugged, illegally venting methane and other greenhouse gases. These abandoned wells are also responsible for spills, spreading contamination, increased soil erosion, and loss of wildlife habitat.

  If the BLM cannot handle the current pace of oil and gas production on federal lands, increasing that pace without compensatory measures may also dramatically increase these damages to our public lands.

  Question for Rep. Mulvaney:
  Will you ensure that BLM is capable not only of issuing exploration and production permits but that it also has sufficient resources to responsibly manage those permits?

  Under your leadership, will OMB take steps to protect taxpayers from uncompensated damages to their public lands from oil and gas operations?

As a candidate, President Donald Trump often touted his business experience as a key qualification for improving government operations. It would be important to know if any of that business experience will be applied to prevent needless losses to public lands and resources.

To that end, we would request you to ask the nominee for OMB Director:

- If businesses do not sell their products below cost, why should the federal government?

- Why is our federal government not collecting fair rents, royalties and fees for extraction of public resources?

In short, we are asking you to press the next OMB Director for a commitment to ensure the taxpayer will start receiving a fair share of the profits from exploitation of the public's resources.

Thank you for your consideration of these timely issues.

Sincerely,

Jeff Ruch
Executive Director