Congress of the United States
Washington, DC 20515

November 26, 2012

The Honorable John Boehner
Speaker
U.S. House of Representatives
The Capitol
Washington, D.C.

Mr. Speaker:

As negotiations continue regarding the so-called "fiscal cliff", we are pleased with your position to oppose job-crushing tax increases. The federal government has a spending problem, not a revenue problem. Increases in marginal tax rates would grow government spending, cost our economy 700,000 jobs[1], and would slow an already sluggish economy.

The latest October spending report is telling. The October deficit was $120 billion, up from $98.5 billion for the previous year[2]. This deficit was not the result of revenue shortfalls. Revenues rose 13% over the same period from a year ago. Instead, the deficit was fueled by out-of-control government spending. Spending during the month of October increased 16% above October FY2012 levels. This dismal monthly report means the Obama Administration is on track for yet another trillion dollar deficit, the norm under its watch.

The President's plan to increase taxes on small businesses and other Americans does little to close these trillion dollar deficits. It was reported in July that ending the Bush-era tax cuts for top income earners would raise about $80 billion in 2013[3]. Aside from the negative impact the increases would have on the economy, this total falls short of the revenue needed to close these trillion-dollar-plus deficits.

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[1] Drs. Robert Carroll and Gerald Prante of Ernst and Young (July 2012) Long-run macroeconomic impact of increasing tax rates on high-income taxpayers in 2013. Retrieved November 16, 2012 from http://www.nfib.com/LinkClick.aspx?fileticket=OMV7uZczVaM%3d&tabid=1083

[2] US could be on path to fifth straight $1 trillion deficit after government runs $120 billion October deficit. Retrieved November 16, 2012 from http://www.foxnews.com/politics/2012/11/13/us-government-runs-120-billion-october-deficit/#ixzz2CPHIx553

[3] Montgomery, Lori (July 19, 2012) Ending Bush tax cuts for rich would save about $80 billion in 2013, analyst says. Retrieved November 16, 2012 from http://www.washingtonpost.com/business/economy/ending-bush-tax-cuts-for-rich-would-save-just-28-billion-in-2013-analysts-say/2012/07/19/gJQAW0m0vW_story.html

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Instead, Congress should take immediate steps to reduce spending and find alternative ways to increase revenues. This balanced approach can be achieved by tapping into our onshore and offshore energy resources, disposing of unneeded land, and liquidating surplus federal buildings.

By tapping into our nation's abundant energy resources, we could boost revenues through increased economic activity, job creation, and payments to the U.S. Treasury. Already, the oil and gas industry contributes roughly $31.4 billion per year to the U.S. Treasury in bonus, rent, royalty, and tax payments[4] and an additional $38 billion in state and local taxes[5]. More favorable policies to allow for responsible development of federally-owned land and water would increase these figures considerably. The Green River Formation, home to over 1 trillion barrels of recoverable oil shale, nearly four times the reserves of Saudi Arabia, has been essentially placed off limits by the Obama Administration. In Alaska, the opening of a small area of the Arctic National Wildlife Refuge could generate upwards of $50 billion in federal royalty payments over the life of the project[6]. In total, a mere 5.4% of onshore federal lands and just 2.2% of federal offshore areas are leased for oil and gas development[7]. And as production has increased on state and private land, it has fallen on federally-owned land. Oil production on federal lands fell by an average of 275,000 barrels per day in FY2011, which represents a loss not only to our domestic oil supply but also to the U.S. Treasury.

Second, divesting the federal government of its vast land holdings could pay down the deficit and reduce spending. The federal government owns roughly 650 million acres of land, or 1/3 of the entire landmass of our country. Over 90% of this land is located in the western states and most of it we do not even need. To the surprise of many, the National Park Service, the trustee of our nation's most treasured landscapes, holds just 12% of this land[8]. The other 88% is managed mostly by the Bureau of Land Management and the U.S. Forest Service at a cost of several billion dollars each year. Strategically transferring ownership of these lands where it makes sense would reduce duplicative land management costs, boost revenues through the resultant economic activity of more productive and local land management, and is consistent with the principles of federalism our founding fathers envisioned.

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[4] American's oil and natural gas industry pays its fair share. Retrieved November 16, 2012 from http://www.api.org/policy-and-issues/policy-items/taxes/paying-our-fair-share.aspx

[5] Email from IPAA (11/16/2012) The REAL Facts on Independent Producer Taxes.

[6] Potential Budgetary Effects of Immediately Opening Most Federal Land to Oil and Gas Leasing (August 2012). Retrieved November 16, 2012 from http://www.cbo.gov/sites/default/files/cbofiles/attachments/08-09-12_Oil-and-Gas_Leasing.pdf

[7] Hard Fact: An Energy Primer. 2012. Retrieved November 16, 2012 from http://instituteforenergyresearch.org/hardfacts.pdf

[8] Congressional Research Service. Federal land ownership: overview and data. Retrieved November 16, 2012 from http://www.fas.org/sgp/crs/misc/R42346.pdf.

Finally, Congress could liquidate excess and surplus assets. Government audits have estimated that the federal government holds more than 55,000 unneeded properties[9]. The proceeds from the sale of these excess properties, along with operations and maintenance savings, could save billions of dollars annually. This idea was also championed by the bipartisan Simpson-Bowels Commission.

Again, the federal government has a spending problem, not a tax problem. We reject the notion that tax increases will tackle our exploding deficit. Instead, we support a combination of spending reductions and revenue-expanding policies that create jobs and grow the economy. Thank you for your service and leadership. Please contact us directly for more information or to discuss these ideas further.

Sincerely,

Rob Bishop
Immediate Past Chairman
Congressional Western Caucus

Stevan Pearce
Chairman
Congressional Western Caucus

[9] GAO testimony before the Transportation and Infrastructure Committee. Federal Real Property: Progress Made on Planning and Data, but Unneeded Owned and Leased Facilities Remain. April 6, 2011. Retrieved from http://republicans.transportation.house.gov/Media/file/TestimonyEDPB/2011-04-06%20Wise.pdf