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# Congress of the United States

## House of Representatives

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### Opening Statement Rep. Elijah E. Cummings Ranking Member

#### Hearing on "The Refuse of the Federal Spending Binge II: How U.S. Taxpayers are Paying Double for Failing Government Programs"

March 3, 2011

Thank you, Mr. Chairman, and welcome to our witnesses. Today, we will hear the results of a report issued by the Government Accountability Office (GAO) on duplicative programs and major opportunities to enhance federal revenues.

First, GAO's report demonstrates that there are real opportunities to streamline federal programs, save taxpayer dollars, and deliver services more effectively and efficiently. For example, GAO identified at least 31 entities within the Defense Department that are supposed to address the urgent needs of warfighters. GAO reported that there are "challenges with the department's fragmented guidance," and GAO raised concerns "about the numbers and roles of the various entities and processes involved." Solving these problems will take dedication, but it will help American troops and taxpayers.

GAO's report also describes numerous areas where we can recover hundreds of billions of dollars in federal revenues. For example, GAO highlights that the United States is essentially giving away up to \$53 billion to oil companies that are not paying royalties on certain leases to extract oil and gas from federal lands.

Congress passed legislation in 1995 to give oil companies so-called "royalty relief." The goal of the legislation was to encourage production by exempting oil companies from paying royalties to the federal government. The legislation was supposed to require companies to start paying royalties when they recouped their investment and began making a profit. But the legislation was poorly drafted, and when oil companies challenged it in court, they successfully avoided paying any royalties at all.

In its report today, GAO concluded that this problem "could result in \$21 billion to \$53 billion in lost revenue to the federal government." This windfall is going to an industry that is making staggering profits, despite the worst economic downturn since the Great Depression.

Mr. Chairman, you did significant work on this issue last Congress. In 2009, you issued a report warning about what might happen if these oil companies won their lawsuit. You said that "any company that entered a similar lease between 1996 and 2000 could escape paying royalties." You also said this:

[T]he 5th Circuit's decision may force the federal government to reimburse companies who have already tendered royalty payments. Depending upon the market price of oil and natural gas, the total cost of foregone royalties could total nearly \$80 billion.

Mr. Chairman, you warned about this problem, and I commend you for that. But now we need to fix it. These funds are not all lost. GAO's estimate is based on future losses over the life of these leases.

Twice over the past two weeks, however, you and your Republican colleagues voted down floor amendments offered by Democrats to bring oil companies with these "no royalty leases" back to the bargaining table. This legislation was defeated on party line votes, despite being carefully drafted to withstand constitutional scrutiny with help from the Congressional Research Service.

Mr. Chairman, before we consider slashing funding for teachers, police officers, and other critical services for Americans in need, we should first demand that oil companies making record profits pay the American taxpayers fair market value for oil they extract from federal lands. It's up to us to fight for the taxpayer. I urge you to reconsider your position and join me and my colleagues. Let's work together to solve this problem.