May 6, 2022

The Project On Government Oversight (POGO) submits the following requests for language to be included in the fiscal year 2023 Interior, Environment, and Related Agencies Appropriations bill and report.

POGO is a nonpartisan independent watchdog that investigates and exposes waste, corruption, abuse of power, and when the government fails to serve the public or silences those who report wrongdoing. POGO champions reforms to achieve a more effective, ethical, and accountable federal government that safeguards constitutional principles.

To further strengthen Congress’s efforts to promote government accountability, we suggest several modest reforms, all of which could be addressed in either bill text or report language accompanying the Interior, Environment, and Related Agencies appropriations bill:

1. Requiring a report on onshore oil and gas royalties
2. Lowering track valuations
3. Addressing delayed value calculations
4. Requiring a report on forgone hardrock mining royalty revenue

All of these suggestions are further described in the attachment to this letter.
Thank you for your consideration of these proposals to strengthen government accountability and oversight of the Department of the Interior. For more information, please have your staff contact me at joanna.derman@pogo.org.

Sincerely,

Joanna Derman
Policy Analyst

Enclosure: 1

cc: Chairman of the Senate Committee on Appropriations Patrick Leahy
Ranking Member of the Senate Committee on Appropriations Richard Shelby
Chair of the House Committee on Appropriations Rosa DeLauro
Ranking Member of the House Committee on Appropriations Kay Granger
POGO Recommendations to Strengthen Government Accountability and Oversight

In order to strengthen government accountability and oversight, the Project On Government Oversight (POGO) recommends the following reforms be incorporated into report language accompanying both the Senate and the House Interior, Environment, and Related Agencies appropriations bills for fiscal year 2023.

Report on Onshore Oil and Gas Royalties

**Appropriations Committee:** Interior, Environment, and Related Agencies  
**Agency:** Department of the Interior  
**Account:** Bureau of Land Management (BLM)  
**Funding Level:** N/A  
**Type of Request:** Report Language

**Justification:** For over a century, the federal government has failed to ensure that taxpayers receive their fair share in royalties for the oil and gas that companies extract from publicly owned land. For onshore federal oil and gas leases, the government collects a 12.5% royalty — a rate that has remained the same since the Mineral Leasing Act of 1920 was signed into law. In contrast, the federal government charges a higher royalty rate for offshore leases — 18.75%. According to one estimation, by raising the royalty rate for oil and gas produced on federal lands to match offshore royalties, the Interior Department could have received up to $12.4 billion more in revenue over just one decade. An increased royalty revenue would directly benefit the American taxpayer.

Pursuant to Executive Order 14008, the Biden administration released a report on November 26, 2021, to examine the federal oil and gas leasing program. Though the report made broad recommendations, including that the Interior Department’s Bureau of Land Management should “initiate a rulemaking to establish a higher minimum royalty rate for onshore oil and gas leases,” the Department stopped far short of exercising its authority to increase the royalty rate, and it did not provide its own analysis of the potential revenue-raising effect of increasing the royalty rate to 18.75% specifically.

**Proposed Report Language:** This Committee directs the Interior Department to issue a report that includes estimates on the revenue-raising effect of increasing the onshore royalty rate from its current 12.5% to at least 18.75%. 
Lowering Track Valuations

_Appropriations Committee:_ Interior, Environment, and Related Agencies  
_Agency:_ Department of the Interior  
_Account:_ Bureau of Ocean Energy Management (BOEM)  
_Funding Level:_ N/A  
_Type of Request:_ Bill Text

**Justification:** According to the GAO, from March 2000 to June 2018 the Bureau of Ocean Energy Management could have collected $567 million in additional auction revenue if it had not retroactively lowered its valuations of tracts of seafloor in order to accept bids that would be unacceptable under the bureau’s stated procedures. The bureau does not disclose when it awards drilling rights based on reduced valuations, and revising valuations is not part of the bureau’s published procedures. The bureau’s practice of retroactively lowering its valuations may be passing up hundreds of millions of dollars in potential revenue.

**Proposed Bill Text:** None of the funds made available under this Act may be used by the Bureau to approve leases where the Bureau retroactively lowered its valuations without public notice.

Addressing Delayed Value Calculations

_Appropriations Committee:_ Interior, Environment, and Related Agencies  
_Agency:_ Department of the Interior  
_Account:_ Bureau of Ocean Energy Management (BOEM)  
_Funding Level:_ N/A  
_Type of Request:_ Bill Text

**Justification:** According to the GAO, from March 2000 to June 2018 the Bureau of Ocean Energy Management could have collected $873 million in additional auction revenue if it had not accepted lower bids because it unreasonably determined the tracts might be worth less in the future. Furthermore, the GAO found that since the frequency of auctions has doubled, the bureau’s predicated cost of delay has surprisingly increased and not decreased, and that the bureau’s “unreasonably large forecasts of depreciation have increasingly been the deciding factor in decisions to accept bids.” By lowering a tract’s predicted future value, the government is unnecessarily passing up hundreds of millions of dollars in potential revenue.

**Proposed Bill Text:** None of the funds made available under this Act may be used by the Bureau to approve a delayed-value lease that was not evaluated by a third party.
Report on Forgone Hardrock Mining Royalty Revenue

**Appropriations Committee:** Interior, Environment, and Related Agencies  
**Agency:** Department of the Interior  
**Account:** Bureau of Land Management (BLM)  
**Funding Level:** N/A  
**Type of Request:** Report Language

**Justification:** The federal government neglects to collect royalties for some resources extracted from federal lands altogether. Under the General Mining Act of 1872, taxpayers receive zero royalties for hardrock minerals extracted from public lands. The U.S. lags behind the rest of the world by failing to collect a federal royalty for these minerals. To add insult to injury, mining companies also receive generous tax breaks for extracting our natural resources from federal lands. One estimate, from Earthworks, puts the value of the hardrock minerals extracted just from western public lands since the law was passed at $300 billion, with no revenues going to the taxpayers who own the land.

**Proposed Report Language:** This Committee directs the Interior Department to issue a report on forgone hardrock royalty revenue and the effect a royalty would have on production levels.