

ELIJAH E. CUMMINGS
7TH DISTRICT, MARYLAND

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SENIOR WHIP

Congress of the United States
House of Representatives
Washington, DC 20515

☐ 2235 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-2007
(202) 225-4741
FAX: (202) 225-3178

☐ DISTRICT OFFICES:
1010 PARK AVENUE
SUITE 105
BALTIMORE, MD 21201-5037
(410) 685-9199
FAX: (410) 685-9399

☐ 754 FREDERICK ROAD
CATONSVILLE, MD 21228-4504
(410) 719-8777
FAX: (410) 455-0110

☐ 8267 MAIN STREET
ROOM 102
ELLICOTT CITY, MD 21043-9903
(410) 465-8259
FAX: (410) 465-8740

www.house.gov/cummings

Opening Statement
Rep. Elijah E. Cummings

Hearing on “Jobs Now: Protecting the Taxpayer, Securing Our Energy Future”
Democratic Steering and Policy Committee

February 28, 2011

Thank you Leader Pelosi and Members of the Committee, and welcome to our witnesses here today.

As the Ranking Member of the House Oversight Committee, one of my core jobs is to make sure the resources of this nation are not squandered and the American taxpayers are not swindled.

Our committee works closely with the nonpartisan Government Accountability Office, the investigative arm of Congress. Every two years, GAO issues a “High-Risk Report,” which highlights areas that are especially vulnerable to waste and abuse. This month, GAO issued its High-Risk Report for the 112th Congress, and it singled out only one new area of concern: the “Management of Federal Oil and Gas Resources.” I would like to describe two points in GAO’s report.

First, GAO found that oil and gas companies are not paying what they owe for oil and gas they extract from federal lands. GAO reported “numerous instances in which oil and gas production data were missing or sales data appeared to be erroneous.” And these under-payments add up. In a two-year period, GAO found that oil and gas companies may have failed to pay more than \$100 million in royalties they owe the American taxpayers.

Second, GAO reported that taxpayers are not receiving a “fair return” on leases granted to oil and gas companies. GAO reported that federal revenues from oil and gas production in the Gulf of Mexico, the richest oil deposit in the United States, “were lower than 93 out of 104 resource owners.” That means 92 other foreign governments, states, and others are getting a better return than we are.

A major reason taxpayers are not receiving their fair share is because of the way the leases are structured. According to GAO, there is “a lack of price flexibility” to adjust to market increases. GAO also faulted Congress for granting so-called “royalty relief” in the late 1990s, exempting oil companies from making certain royalty payments, regardless of how high their profits are.

GAO concluded that this policy alone “could result in between \$21 billion and \$53 billion in lost revenue to the federal government, compared with what it would have received without these provisions.”

This is a travesty. The American taxpayers should get a fair price when oil companies drill on federal lands. That’s just common-sense. Instead, the nonpartisan GAO has now reported that we are essentially giving away up to \$50 billion to oil companies that are taking home record profits.

A much better approach would be to invest these funds in creating new jobs here in the United States, not only to reduce unemployment, but to help end our dependence on oil.

I thank Leader Pelosi, the Committee, and GAO for shining a spotlight on this issue.