LEGISLATIVE ALERT

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THE MAJORITY'S ENERGY BILL

HIGHER TAXES, HIGHER SPENDING – LESS ENERGY

(H.R. 6899)

16 September 2008

Stung by criticism of their energy policy negligence, House Democrats have conjured a fig leaf measure ostensibly expanding oil drilling in the Outer Continental Shelf [OCS]. But the cynical bill getting rushed to the floor is *designed to fail*, assuring the Majority's long-promised "Energy Independence Day" will not arrive. The legislation continues *limiting* production of America's abundant domestic fuel resources, and charts a path that may leave American consumers *worse off*. It also follows the Majority's typical course of increasing spending and raising taxes all in the name of pay-as-you-go [PAYGO], while ignoring deficit reduction.

All told, the Majority's latest bill raises taxes and fees by more than $25 billion. Here are key points about the bill:

- **Assured to Fail.** The bill allows offshore drilling, only for States that choose it, no closer than 50 miles from the coast – *past the area where experts say most of the oil can be found*. It also prohibits revenue sharing of new oil and gas proceeds, thereby removing any incentive for States to "opt in" and allow drilling off their coasts. Nor does the bill offer any lawsuit protection, so companies that do search for oil will continue to be hampered with limitless litigation by environmental groups. All these provisions assure the measure will fail to achieve what it claims.

- **Tax Hike on Domestic Oil Production.** The bill raises taxes on large oil and gas companies engaged in *domestic* energy production by nearly $13.9 billion over 10 years, all to provide tax breaks to favored energy projects and products. By raising costs on domestic production, this measure would limit efforts to expand U.S. energy supplies, ensuring continued dependence on foreign oil and keeping energy prices high for American families. The bill also limits the use of foreign tax credits on the international operations of oil and gas companies, which pushes the overall tax hike in the bill up to $17.7 billion.

- **Forgone Revenue Due to Limited Drilling.** The Congressional Budget Office [CBO] has estimated the government could initially receive $5 billion in additional revenue *without raising taxes* by opening the OCS and allowing drilling in the Arctic National Wildlife Refuge [ANWR]. Because the Democratic bill continues to limit drilling in the OCS, it reduces revenue to the Treasury by $1 billion, according to CBO.

- **New Fees for Energy Companies.** The bill raises $5.8 billion by imposing new fees on certain leases that currently pay no royalties. It also imposes $1.8 billion of new fees on non-producing Gulf of Mexico leases, and requires retroactive lease payments back to 1 October 2007 on certain leases.

- **Higher Spending, No Deficit Reduction.** The bill increases the topline for appropriated spending by $6.6 billion, so that total 2009 nonemergency discretionary spending increases by 9.3 percent over 2008. Democrats will claim the bill reduces the deficit by this amount; but in fact, all new revenue in the bill is set aside in a reserve fund to offset future *appropriated spending increases*. There is no guarantee this funding will be used to reduce U.S. dependence on foreign oil.

- **More Earmarked Spending.** The bill restructures the New York Liberty Zone Program, making it a $2-billion earmark that can be used for any transportation infrastructure project in New York City. The measure also earmarks $25 million to establish a so-called "National Energy Center of Excellence."

- **New Spending for Energy Block Grants.** The bill also authorizes $2.5 billion in new spending for energy related block grants, and $3.4 billion to States for transportation grants.

- **Exploiting the Fannie-Freddie Bailout.** The bill seeks to make Fannie Mae and Freddie Mac green when the problem is they are insolvent. It directs the two financially ailing firms to develop loan products and flexible underwriting guidelines to facilitate a secondary market for energy- and location-efficient mortgages on low- and moderate-income housing. The bill also calls for Fannie and Freddie to facilitate second and junior mortgages for energy-efficiency and renewable energy improvements.