



15th November 2011

The Honorable Patty Murray
Co-Chair
Joint Select Committee on Deficit Reduction
United States Senate
Washington, DC 20510

The Honorable Jeb Hensarling
Co-Chair
Joint Select Committee on Deficit Reduction
United States House of Representatives
Washington, DC 20515

Dear Senator Murray and Representative Hensarling:

The Competitive Enterprise Institute and Freedom Action recommend that the Joint Select Committee on Deficit Reduction include in its report to Congress that a minimum of \$300 billion in additional revenues should be raised over the next decade from the sale or use of non-performing or under-performing federal assets. We offer this proposal to unlock some of America's resources in the hope that it can help break the impasse in the Joint Select Committee's negotiations that has been widely reported in the press.

We recommend that the additional revenues should come from a combination primarily consisting of: sales of federal lands and other assets; expedited oil and gas leasing and permitting on federal lands and federal offshore areas; returning the National Forest System to profitability by increasing timber sales to historic, sustainable levels; expedited coal leasing and permitting on federal lands; and auctioning unused broadband spectrum to the private sector.

Rather than gaining additional revenue through tax increases, which would depress economic activity, unlocking federal assets will provide a boost to the American economy far beyond the additional \$300 billion in direct federal revenues. Putting federal lands and resources to use will lead to trillions of dollars of new economic activity, which will put millions of people to work in real jobs not dependent on taxpayer

subsidies. This will thereby indirectly increase federal revenues by hundreds of billions of dollars through higher corporate and individual income tax receipts.

When companies or families get into financial trouble, one of the first things they do is see if they have anything they aren't using or don't need that can be sold or put to use. We think that the federal government, which has colossal potential assets that are locked up, should be doing the same thing.

We make some specific recommendations and additional comments in an attachment to this letter, but we recommend that the Joint Select Committee refrain, at least for the most part, from prescribing exactly how the \$300 billion is to be raised, but instead simply require that additional revenues of \$300 billion (or some higher or lower figure) be produced from the federal estate. Experts in the relevant federal agencies will then be able to make the specific decisions.

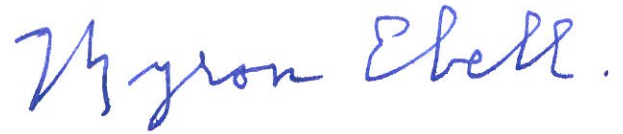
However, in four respects at least, we think that the Joint Select Committee will need to give explicit, detailed instructions. First, the only way that natural resource production on federal lands can provide substantial additional revenues over the next decade is if the various obstacles currently being used to delay leasing and permitting are circumvented. Countless proposed natural resource projects have been abandoned in recent years not because they cannot meet the environmental standards required by federal regulatory laws, but because the system allows decisions to be delayed and litigated for years stretching into decades. We advise the Joint Select Committee to require expedited leasing and permitting procedures for new oil and gas, timber, coal, and mineral production on federal lands. An indirect benefit of requiring expedited procedures without lowering environmental standards is that it will provide strong evidence that the Congress can reform current regulatory procedures without endangering our environment.

Second, tens of millions of acres of lands and subsurface resources managed by the Bureau of Land Management and the Forest Service have been withdrawn from multiple use and put into one or another category of preservation by administrative action (rather than Act of Congress). This has resulted in considerable shrinkage of the federal natural resource base. We urge the Joint Select Committee to require a comprehensive review of these administrative withdrawals that will have the authority to rescind such withdrawals where warranted.

Third, we advise the Joint Select Committee to require that the sales of federal lands also employ expedited procedures, including expedited archaeological reviews and expedited reviews of Endangered Species Act critical habitat designations. Fourth, we advise the Joint Select Committee to require that federal land sales respect all existing rights, including water rights, mining claims, subsurface rights, grazing permits, and private and public rights of way. It is likely that procedures will have to be developed to share the proceeds of sales with the owners of these rights.

Thank you for your consideration of our recommendations to raise additional federal revenues by unlocking some of America's vast resources.

Yours sincerely,

A handwritten signature in blue ink that reads "Myron Ebell." The signature is written in a cursive style with a period at the end.

Myron Ebell
Director, Center for Energy & Environment
Competitive Enterprise Institute
and President, Freedom Action.

(Copies are being delivered to all Members of the Joint Select Committee on Deficit Reduction.)

Additional Recommendations and Comments:

1. Increase the revenues to be raised by 5% to a minimum of \$315 billion and use the additional revenues to increase funding for addressing the maintenance backlogs in the National Park System and the National Wildlife Refuge System. America's "Crown Jewels" should be protected and maintained even during this period of substantial budget cuts.
2. Repeal the Land and Water Conservation Fund Act of 1964. In this era of looming federal insolvency, continuing to spend hundreds of millions of dollars a year on buying private land (and thereby taking it out of productive or potentially productive use and off the property tax rolls) makes no sense. If federal land managers want to acquire more private lands, they should be required to pay for it by selling or trading federal lands of equivalent value.
3. Abolish the General Services Administration. This additional layer of bureaucracy to manage federal office space, transport fleets, and other products has outlived its usefulness.
4. Include expedited environmental review for the permitting of mining projects on federal lands similar to that provided for oil and gas production. Although the General Mining Law of 1872 does not provide for federal taxation of mineral production from mining claims on federal lands, such production is subject to a variety of state taxes. In addition, increased mineral production will increase economic output and add to federal revenues through individual and corporate income taxes paid.
5. Require that the United States Forest Service return to profitability by FY 2015. The Forest Service has become highly dysfunctional over the past several decades. As a result of endless appeals and lawsuits, the National Forest planning process has broken down completely. The Joint Select Committee should give the Forest Service authority to conduct timber sales using expedited procedures that circumvent the current institutional roadblocks and, alternatively, authority to enter into long-term management contracts with state forest agencies.
6. Open the coastal plain of the Arctic National Wildlife Refuge to oil and gas production and require that exploration wells be drilled within two years and that production begin within four years. Although oil and gas production is not appropriate in many National Wildlife Refuges, the Congress in 1980 specifically set aside the coastal plain for oil production. The Congress passed legislation to open the coastal plain to exploration in 1995. Production declines in Prudhoe Bay mean that the Trans Alaska Pipeline has substantial unused capacity. ANWR offers the quickest way to increase production on Alaska's North Slope and keep the pipeline operating.
7. Revoke the Grand Staircase-Escalante National Monument designation. This 1.9 million acre designation is one of the most flagrant abuses of the Antiquities Act of 1906. The area contains numerous areas that can be placed in special preservation status, but it also contains areas with high natural resource potential that should be opened to production through sale or permitting.
8. The inventory of lands and other properties for potential sale should not be limited to the Bureau of Land Management's public lands. Many of the National

Forests in the Southeast are patchworks (non-contiguous parcels acquired in tax sales during the Great Depression) that make little management sense. A number of National Wildlife Refuges created by executive action rather than act of Congress have never acquired enough property to be viable. The Defense Department and the Veterans' Administration own many valuable unused properties, including buildings.

9. Authorize construction with expedited permitting of the Keystone XL Pipeline. Construction will have immediate beneficial effects on the economy in several States and will soon thereafter increase federal income tax receipts.
10. Coal leasing on federal lands in Wyoming and Montana should be increased using expedited procedures to reflect soaring global demand for coal. Approval for additional rail capacity to West Coast ports should also be considered using expedited procedures.