EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

June 4, 2008
(House)

STATEMENT OF ADMINISTRATION POLICY

H.R. 3058 – Public Land Communities Transition Act of 2007
(Rep. DeFazio (D) OR and 43 cosponsors)

The Administration has repeatedly stated its support for an extension of the Secure Rural Schools program provided that it is fully offset with agreed-upon spending reductions and that the payments are phased out over time. However, H.R. 3058, as reported by the House Committee on Natural Resources, meets neither of these conditions. As such, if the bill were presented to the President in its current form, his senior advisors would recommend that he veto the bill.

The Secure Rural Schools and Community Self-Determination Act of 2000 was intended to provide historically timber-dependent communities with additional time to transition their economies following a decline in timber production in many parts of the West. However, the safety net payments provided by the legislation expired in 2006, and the Administration does not believe these payments from the Treasury should continue indefinitely.

A one-year extension of payments has already been enacted, and the Administration has proposed an additional four years of funding for the program, with fully offset payments starting at reduced levels and declining each year until they are phased out in 2012. However, the Administration does not support an extension of the rural schools payments at the high levels contained in H.R. 3058 and that are not specifically phased-out over the period covered by the legislation. Instead of phasing out the payments, H.R. 3058 actually increases payments in the near term and provides a final payment in 2012 that is nearly equal to the 2007 payment. This suggests that many of the benefiting counties would have an expectation of a further extension of payments after 2012.

The Administration also strongly opposes shifting the Payment in Lieu of Taxes (PILT) program from discretionary to mandatory spending. The Administration supports the PILT program, but believes that PILT should compete for funding with other priority programs through the appropriations process. It is worth noting that funding for PILT remains at historical highs, with recent appropriations up 70 percent since 2000.

H.R. 3058 also contains offset provisions that the Administration has previously indicated it opposes. The Administration strongly opposes language that would force holders of certain deepwater oil and gas leases issued in 1998 and 1999 by the Clinton Administration to either renegotiate the terms of the leases or pay an excessive fee. This provision is likely to result in significant delays in lease sales in the event that the provision is litigated.

The bill also provides for a new fee on non-producing oil and gas leases in the Gulf of Mexico.

The Department of the Interior has entered into leases with oil and gas lessees that provide for a set rental fee on acreage of non-producing leases. Imposing a new acreage fee on these existing lessees, which is equivalent to an increase in the lease's rental fee, undermines signed contracts with lessees and could undermine lessee confidence in the certainty of their investments in the Gulf of Mexico. American consumers face record high gasoline prices and other rising energy costs. Congress should be considering legislation that would increase supplies of gasoline for consumers; this bill would do exactly the opposite, discouraging development of domestic energy resources and reducing the Nation's energy security.

The Administration remains prepared to work with the Congress to identify agreeable alternative offsets that could be used to fund an appropriately targeted extension of the Secure Rural Schools program, with a realistic phase-out of payments by 2012.

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