

## **Statement of Congressman Harry Teague before the House Budget Committee**

**March 11, 2009**

Thank you, Chairman Spratt and Ranking Member Ryan, for inviting me here to testify before your Committee today. I appreciate the opportunity to share my concerns about the impact the President's proposed Fiscal Year 2010 Budget will have on our nation's veterans, and to express my strong views that we in Congress must do everything that we can to ensure that we are sufficiently funding the Veterans Administration.

I would first like to applaud the Administration for proposing a budget that, for the first time, exceeds the amount requested by the Independent Budget of Veteran Service Organizations by at least \$1 billion. That shows a serious and long overdue commitment to those who have sacrificed so much for our nation.

Like many of you, I think it's about time that we start doing as much for our veterans as they have done for us. And this Budget will help us do that -- it will help us eliminate the shameful backlog of 400,000 veterans benefits claims and finally get those veterans the services and support they deserve.

As we are all well aware, with so many new veterans entering the VA system, issues are arising and it is clear that the VA system is not yet ready to properly address all of these needs. That is why I am particularly pleased that the President's proposed budget prioritizes the mental health needs of our veterans, with a great emphasis on care for those suffering from PTSD, traumatic brain injury and substance abuse. We know the number of PTSD and TBI cases are on the rise and the effects can be catastrophic. That's why we should be screening all returning service members for PTSD and traumatic brain injuries and then doing all that we can to support those who need help. This Budget allows us to do that and it also enhances the VA's suicide prevention campaign, an increasingly important program.

While the budget does do many great things for our veterans, it is disappointing that President Obama has opted not to include advance appropriations for the VA. Funding the VA with advanced appropriations rather than every year doesn't cost any additional money. It just allows hospitals and clinics in the VA system to plan ahead. Right now, VA caregivers don't know what their budget is for the next year, and when funding bills are approved late, as they usually are, care gets rationed.

When VA budgets are delayed, veterans pay the price. While President Obama has shown that he has many of the right priorities in this VA budget, the VA funding system itself is downright broken. Advance appropriations is a common-sense solution to that problem. It should be in the budget.

On another subject, I would like to bring to the committee's attention what I believe are some misinformed decisions by the Obama administration to eliminate certain tax provisions that the oil and gas industry needs. I applaud President Obama for his proposals build on the work of the

American Recovery and Reinvestment Act and point our nation toward a renewable energy future, but this investment in green energy cannot take place on the back of a fuel source that we will need for the next few decades at least.

I do not say this as a cheerleader for oil and gas. Rather, I come before you as someone who knows the industry inside and out and would like to provide members of the committee with information about how these changes would affect the production of American oil and gas. First, the President's Budget repeals the expensing of intangible drilling costs. IDC generally include any cost incurred that has no salvage value and is necessary for the drilling of wells or the preparation of wells for the production. Only independent producers can fully expense IDC on American production. Eliminating IDC expensing would remove over \$3 billion that would have been invested in new American production.

Second, the President proposes repealing percentage depletion for oil and gas. Natural gas and oil percentage depletion is available only for American production, only available to independent producers, only available for the first 1000 barrels per day of production, limited to the net income of a property and limited to 65 percent of the producer's net income. Percentage depletion provides capital primarily for smaller independents and is particularly important for marginal well operators.

And third, the President's Budget wipes out the marginal well tax credit. This credit provides a safety net for what we call stripper wells during periods of low prices. These wells account for 20 percent of American oil and 12 percent of American natural gas production, and are the most vulnerable to shutting down forever when prices fall to low levels.

It is important for the committee to know that the repeal of these needed tax provisions would not take place in a void. The proposals I have addressed would mean that wells would shut down, the breadwinners in families in districts like mine would lose their jobs, and there would be that much more oil and gas we would need to import from foreign sources.

In New Mexico, specifically, there would be impacts on critical state services like law enforcement and education. Between 17 and 22 percent of the state's general fund budget comes from oil and gas revenues, and up to 65 percent of the education budget is paid for by receipts from oil and gas. If the proposed repeals are enacted, one of the effects you'll see is fewer resources in New Mexico classrooms.

I thank the committee and am happy to take questions.