114TH CONGRESS 1st Session | HOUSE OF REPRESENTATIVES | REPORT 114–236

AMERICAN SODA ASH COMPETITIVENESS ACT

JULY 29, 2015.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. BISHOP of Utah, from the Committee on Natural Resources, submitted the following

R E P O R T

together with

DISSENTING VIEWS

[To accompany H.R. 1992]

[Including cost estimate of the Congressional Budget Office]

The Committee on Natural Resources, to whom was referred the bill (H.R. 1992) to reduce temporarily the royalty required to be paid for sodium produced on Federal lands, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE OF THE BILL

The purpose of H.R. 1992 is to reduce temporarily the royalty required to be paid for sodium produced on Federal lands.

BACKGROUND AND NEED FOR LEGISLATION

Soda ash (sodium carbonate) is primarily used for glass-making, which consumes about half of soda ash output. Another quarter is used by the chemical industry. Other uses include soap, paper manufacturing and water treatment. In the United States, soda ash is refined from trona, a naturally occurring mineral, or from naturally occurring sodium-carbonate bearing brines. China makes a synthetic soda ash that requires more energy and uses a less environmentally-friendly process.

Soda ash is regulated by the Bureau of Land Management (BLM) under the Mineral Leasing Act of 1920 (30 U.S.C. 181 et seq.), under which a royalty is assessed on refined soda ash and trona.

49–006

The Soda Ash Royalty Reduction Act of 2006 was included in the National Heritage Areas Act of 2006, Public Law 109–338. The Soda Ash Royalty Reduction Act reduced the royalty on soda ash to 2 percent, the minimum required in the Mineral Leasing Act of 1920.

Prior to the 2006 royalty relief legislation being enacted, the U.S. soda ash industry was experiencing increased pressure from state-sponsored Chinese companies (state owned) operating under lax environmental standards, coupled with high domestic royalty rates that ranged between 5 and 8 percent.

Between 1997 (the year after BLM raised royalty rates on soda ash) and 2000, China overtook the United States as the worlds largest exporter of soda ash. By 2003, the growth in domestic exports had grown by only a few percentage points since 1997, and approximately 1000 jobs in the domestic soda ash mining industry had been lost. Between October 2006 and September 2011, when the 2 percent royalty rate was in place, the soda ash industry was able to reverse the downward trend in exports, and was able to add jobs, including during the recession.

During fiscal years 2003–2006 when the rate was 6 percent, the federal government collected $74.4 million in royalties on soda ash and trona. In fiscal years 2007–2011 when the royalty rate was reduced to 2 percent, the federal government took in $82 million in royalties. This includes the five-month period following the 2008 market crash where demand for mineral commodities fell sharply.

In the four years prior to the October 2006 royalty rate reduction, the average sale of soda ash was 4,186,172 tons per year. During that time period the price per ton averaged $81.82. During the royalty reduction period, the average sale of soda ash was 6,713,202 tons per year, and the price per ton averaged $128.86.

Maximum sales of soda ash occurred in fiscal year 2008 and reached 7,596,799 tons. The economic downturn that began on September 29, 2008, affected commodity prices for more than a five month period and is reflected in the sales for fiscal year 2009, which totaled 6,193,071 tons.

In October 2011, BLM reinstated the 6 percent royalty—this was a discretionary decision. In fiscal year 2012 sales of soda ash fell to 5,480,816 tons; however, with the 6 percent royalty rate and increase in the average price of the commodity to $151.04, royalty revenue doubled from the previous year. Sales increased by more than 700,000 tons in fiscal year 2013 and fell back again in fiscal year 2014. Figures for fiscal year 2015 are not available.

Domestic production of soda ash dropped an average of 13 percent in the two years following the royalty rate increases in fiscal year 2012. Congress included a royalty reduction of 4 percent in the Helium Stewardship Act of 2013 (Public Law 113–40, section 10) that expires at the end of the current fiscal year.

COMMITTEE ACTION

H.R. 1992 was introduced on April 23, 2015, by Congressman Paul Cook (R–CA). The bill was referred to the Committee on Natural Resources, and within the Committee to the Subcommittee on Energy and Mineral Resources. On June 10, 2015, the Natural Resources Committee met to consider the bill. The Subcommittee was discharged by unanimous consent. Congressman Alan S. Lowenthal

(D–CA) offered an amendment designated 001; it was not adopted by a roll call vote of 12 to 18, as follows:

Committee on Natural Resources
U.S. House of Representatives
114th Congress

Date: 06-11-15 Recorded Vote #1

Meeting on / Amendment on: **Lowenthal_001 Amendment to H.R. 1992 (Rep. Paul Cook), "American Soda Ash Competitiveness Act".**

MEMBERS	Yes	No	Pres	MEMBERS	Yes	No	Pres
Mr. Bishop, UT, Chairman		X		**Mr. LaMalfa, CA**		X	
Mr.Grijalva, AZ, Ranking Member	X			*Mrs. Dingell, MI*			
Mr. Young, AK		X		**Mr. Denham, CA**		X	
Mrs. Napolitano, CA	X			*Mr. Gallego, AZ*	X		
Mr. Gohmert, TX				**Mr. Cook, CA**		X	
Mrs. Bordallo, Guam	X			*Mrs. Capps, CA*	X		
Mr. Lamborn, CO		X		**Mr. Westerman, AR**		X	
Mr. Costa, CA				*Mr. Polis, CO*			
Mr. Wittman, VA				**Mr. Graves, LA**		X	
Mr. Sablan, CNMI	X			**Mr. Newhouse, WA**		X	
Mr. Fleming, LA				**Mr. Zinke, MT**		X	
Mrs. Tsongas, MA				**Mr. Hice, GA**		X	
Mr. McClintock, CA		X		**Ms. Radewagen, AS**			
Mr. Peirluisi, Puerto Rico	X			**Mr. MacArthur, NJ**		X	
Mr. Thompson, PA				**Mr. Mooney, WV**		X	
Mr. Huffman, CA	X			**Mr. Hardy, NV**		X	
Mrs. Lummis, WY		X					
Mr. Ruiz, CA	X						
Mr. Benishek, MI							
Mr. Lowenthal, CA	X						
Mr. Duncan, SC		X					
Mr. Cartwright, PA	X						
Mr. Gosar, AZ		X					
Mr. Beyer, VA							
Mr. Labrador, ID							
Mrs. Torres, CA	X			TOTALS	12	18	

Congresswoman Norma J. Torres (D–CA) offered an amendment designated 002; it was not adopted by a roll call vote of 14 to 20, as follows:

Committee on Natural Resources
U.S. House of Representatives
114th Congress

Date: 06-11-15 Recorded Vote #2

Meeting on / Amendment on: **Torres_002 Amendment to H.R. 1992 (Rep. Paul Cook), "American Soda Ash Competitiveness Act".**

MEMBERS	Yes	No	Pres	MEMBERS	Yes	No	Pres
Mr. Bishop, UT, Chairman		X		**Mr. LaMalfa, CA**		X	
Mr.Grijalva, AZ, Ranking Member	X			*Mrs. Dingell, MI*			
Mr. Young, AK		X		**Mr. Denham, CA**		X	
Mrs. Napolitano, CA	X			*Mr. Gallego, AZ*	X		
Mr. Gohmert, TX		X		**Mr. Cook, CA**		X	
Mrs. Bordallo, Guam	X			*Mrs. Capps, CA*	X		
Mr. Lamborn, CO		X		**Mr. Westerman, AR**		X	
Mr. Costa, CA	X			*Mr. Polis, CO*			
Mr. Wittman, VA				**Mr. Graves, LA**		X	
Mr. Sablan, CNMI	X			**Mr. Newhouse, WA**		X	
Mr. Fleming, LA		X		**Mr. Zinke, MT**		X	
Mrs. Tsongas, MA	X			**Mr. Hice, GA**		X	
Mr. McClintock, CA		X		**Ms. Radewagen, AS**			
Mr. Peirluisi, Puerto Rico	X			**Mr. MacArthur, NJ**		X	
Mr. Thompson, PA				**Mr. Mooney, WV**		X	
Mr. Huffman, CA	X			**Mr. Hardy, NV**		X	
Mrs. Lummis, WY		X					
Mr. Ruiz, CA	X						
Mr. Benishek, MI							
Mr. Lowenthal, CA	X						
Mr. Duncan, SC		X					
Mr. Cartwright, PA	X						
Mr. Gosar, AZ		X					
Mr. Beyer, VA							
Mr. Labrador, ID							
Mrs. Torres, CA	X			TOTALS	14	20	

No additional amendments were offered, and the bill was ordered favorably reported to the House of Representatives on June 11, 2015, by a bipartisan roll call vote of 22 to 12, as follows:

Committee on Natural Resources

U.S. House of Representatives

114th Congress

Date: 06-11-15

Recorded Vote # 3

Meeting on / Amendment on: **On favorably reporting H.R. 1992 (Rep. Paul Cook), "American Soda Ash Competitiveness Act".**

MEMBERS	Yes	No	Pres	MEMBERS	Yes	No	Pres
Mr. Bishop, UT, Chairman	X			**Mr. LaMalfa, CA**	X		
Mr. Grijalva, AZ, Ranking Member		X		*Mrs. Dingell, MI*			
Mr. Young, AK	X			**Mr. Denham, CA**	X		
Mrs. Napolitano, CA		X		*Mr. Gallego, AZ*		X	
Mr. Gohmert, TX	X			**Mr. Cook, CA**	X		
Mrs. Bordallo, Guam		X		*Mrs. Capps, CA*		X	
Mr. Lamborn, CO	X			**Mr. Westerman, AR**	X		
Mr. Costa, CA	X			*Mr. Polis, CO*			
Mr. Wittman, VA				**Mr. Graves, LA**	X		
Mr. Sablan, CNMI		X		**Mr. Newhouse, WA**	X		
Mr. Fleming, LA	X			**Mr. Zinke, MT**	X		
Mrs. Tsongas, MA		X		**Mr. Hice, GA**	X		
Mr. McClintock, CA	X			**Ms. Radewagen, AS**			
Mr. Peirluisi, Puerto Rico		X		**Mr. MacArthur, NJ**	X		
Mr. Thompson, PA				**Mr. Mooney, WV**	X		
Mr. Huffman, CA		X		**Mr. Hardy, NV**	X		
Mrs. Lummis, WY	X						
Mr. Ruiz, CA	X						
Mr. Benishek, MI							
Mr. Lowenthal, CA		X					
Mr. Duncan, SC	X						
Mr. Cartwright, PA		X					
Mr. Gosar, AZ	X						
Mr. Beyer, VA							
Mr. Labrador, ID							
Mrs. Torres, CA		X		TOTALS	22	12	

COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS

Regarding clause 2(b)(1) of rule X and clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee on Natural Resources' oversight findings and recommendations are reflected in the body of this report.

COMPLIANCE WITH HOUSE RULE XIII

1. Cost of Legislation. Clause 3(d)(1) of rule XIII of the Rules of the House of Representatives requires an estimate and a comparison by the Committee of the costs which would be incurred in carrying out this bill. However, clause 3(d)(2)(B) of that rule provides that this requirement does not apply when the Committee has included in its report a timely submitted cost estimate of the bill prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act of 1974. Under clause 3(c)(3) of rule XIII of the Rules of the House of Representatives and section 403 of the Congressional Budget Act of 1974, the Committee has received the following cost estimate for this bill from the Director of the Congressional Budget Office:

H.R. 1992—American Soda Ash Competitiveness Act

Summary: H.R. 1992 would require the Department of the Interior to charge a 2 percent royalty on the value of soda ash and related sodium compounds produced on federal lands for a five-year period following enactment of the bill. Under current law, CBO expects the average royalty rate to be about 6 percent, beginning in 2016. About half of the royalties collected by the federal government are paid to the states where the minerals are produced. Thus, enacting the bill would reduce both offsetting receipts (a credit against direct spending) and the subsequent payments to states stemming from those royalties.

As a result, CBO estimates that enacting H.R. 1992 would increase net direct spending by $80 million over the 2016–2020 period; therefore, pay-as-you-go procedures apply. Enacting H.R. 1992 would not affect revenues.

H.R. 1992 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 1992 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and environment).

	By fiscal year, in millions of dollars—											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016–2020	2020–2025
CHANGES IN DIRECT SPENDING												
Estimated Budget Authority	16	16	16	16	16	0	0	0	0	0	80	80
Estimated Outlays	16	16	16	16	16	0	0	0	0	0	80	80

Basis of estimate: For this estimate, CBO assumes that the legislation will be enacted near the beginning of fiscal year 2016.

H.R. 1992 would reduce the royalty rate on the value of soda ash and certain related minerals produced on federal lands to 2 percent for a five-year period following enactment of the bill. Under current law, the royalty rate on soda ash is expected to increase from 4 percent to 6 percent near the beginning of 2016. Because royalty rates charged on state and private lands will probably be higher than 2 percent, CBO expects that, under the bill, the amount of soda ash and other affected minerals produced on federal lands would be greater over the next five years than it would be under current law. However, any increase in production on federal land would not generate enough additional royalty revenue to offset the loss of receipts due to the lower royalty rate through 2020, CBO estimates.

In 2011, the last year in which the royalty rate was set at 2 percent, firms produced about 9 million tons of soda ash and related products on federal lands and the federal government received net royalties totaling $11 million. (About half of all federal royalties collected on the affected minerals are paid to states where those minerals are produced.) Over the 2012–2013 period, the Bureau of Land Management assessed an average royalty rate of about 6 percent. Production of soda ash and related products decreased to about 7.5 million tons in those years; however, net royalty collections increased to an average of about $27 million a year. When the royalty rate on soda ash and related products was reduced to about 4 percent in 2014, production on federal land increased slightly, while net royalty collections decreased by about $6 million from the previous year.

Based on information from the Office of Natural Resources Revenue, CBO estimates that, under current law, the federal government's net royalty receipts from soda ash and related minerals will total between $25 million and $30 million a year over the next five years. Under the bill, CBO estimates that net royalties would total roughly $10 million annually over that period. Thus, CBO estimates that enacting H.R. 1992 would reduce net offsetting receipts by about $16 million a year over the 2016–2020 period.

Pay-As-You-Go considerations: The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table.

CBO ESTIMATE OF PAY-AS-YOU-GO EFFECTS FOR H.R. 1992 AS ORDERED REPORTED BY THE HOUSE COMMITTEE ON NATURAL RESOURCES ON JUNE 11, 2015

	By fiscal year, in millions of dollars—												
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2015–2020	2015–2025
NET INCREASE IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	16	16	16	16	16	0	0	0	0	0	80	80

Intergovernmental and private-sector impact: H.R. 1992 contains no intergovernmental or private-sector mandates as defined in UMRA. The royalty reduction required by the bill would reduce federal payments to Arizona, California, Louisiana, Colorado, New Mexico, Utah, and Wyoming by about $80 million over the 2016–2020 period.

Estimate prepared by: Federal Costs: Jeff LaFave and Ben Christopher; Impact on State, Local, and Tribal Governments: Jon Sperl; Impact on the Private Sector: Amy Petz.

Estimate approved by: H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.

2. Section 308(a) of Congressional Budget Act. As required by clause 3(c)(2) of rule XIII of the Rules of the House of Representatives and section 308(a) of the Congressional Budget Act of 1974, this bill does not contain any new budget authority, credit authority, or an increase or decrease in revenues or tax expenditures. The Congressional Budget Office estimates that enacting H.R. 1992 would increase net direct spending by $80 million over 2016–2020.

3. General Performance Goals and Objectives. As required by clause 3(c)(4) of rule XIII, the general performance goal or objective of this bill is to reduce temporarily the royalty required to be paid for sodium produced on Federal lands.

EARMARK STATEMENT

This bill does not contain any Congressional earmarks, limited tax benefits, or limited tariff benefits as defined under clause 9(e), 9(f), and 9(g) of rule XXI of the Rules of the House of Representatives.

COMPLIANCE WITH PUBLIC LAW 104–4

This bill contains no unfunded mandates.

COMPLIANCE WITH H. RES. 5

Directed Rule Making. The Chairman does not believe that this bill directs any executive branch official to conduct any specific rule-making proceedings.

Duplication of Existing Programs. This bill does not establish or reauthorize a program of the federal government known to be duplicative of another program. Such program was not included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111–139 or identified in the most recent Catalog of Federal Domestic Assistance published pursuant to the Federal Program Information Act (Public Law 95–220, as amended by Public Law 98–169) as relating to other programs.

PREEMPTION OF STATE, LOCAL OR TRIBAL LAW

This bill is not intended to preempt any State, local or tribal law.

CHANGES IN EXISTING LAW

If enacted, this bill would make no changes in existing law.

DISSENTING VIEWS

This bill is an entirely unnecessary giveaway to a healthy industry that will cost American taxpayers tens of millions, if not hundreds of millions of dollars, while doing nothing to achieve the positive benefits that the supporters of this legislation claim it will bring.

Similar royalty relief for the soda ash industry was enacted in 2006, and after five years of the lower royalty the Department of the Interior concluded that the royalty rate reduction, "does not appear to have contributed in a significant way to the creation of new jobs within the industry, to increased exports, or to a notable increase in capital expenditures to enhance production." The report further concluded that the loss in royalties was over $150 million, roughly five times the initial estimate of the cost.

Furthermore, in the two years after the previous royalty relief expired, under every relevant metric, the soda ash industry performed better than it did with that relief in place. During the royalty relief period production dropped, U.S. market share dropped, employment went down, and the average rate of export growth was 3.4 percent. In the two years after royalty relief expired, production went up, U.S. market share went up, employment increased, and the average rate of export growth was 8.8 percent.

The Majority claims that the royalty relief did not cost taxpayers much because royalty collections from 2007–2011 were only $2 million below the collections from 2002–2006. However, the price of soda ash more than doubled between 2004 and 2009, which is the only reason that total collections were able to keep pace.

None of the reasons the Majority provides for supporting this bill are substantiated by the facts. Vague arguments about the need to remain competitive and increase employment could be made for every extractive resource industry in the nation, yet lowering royalty rates for no reason simply cheats the American people of their fair share of revenues from the development of public resources on public land. The situation is even worse for the States: the Interior Department found that one of the main consequences of the previous royalty relief was that companies would move their operations from state lands, where states receive all the royalties, to federal lands, where states only receive half.

During markup on H.R. 1992, the Majority rejected an amendment by Energy and Mineral Resources Subcommittee Ranking Member Lowenthal that would have protected taxpayers by ending the royalty relief after two years if that relief was not having a measurable positive impact on soda ash production on employment. The Majority also rejected an amendment by Ms. Torres that would have made royalty relief contingent on a determination that the relief would not result in less revenue going to schools. Schoolchildren should not be harmed in order to provide handouts to soda ash mining companies.

H.R. 1992 has no redeeming benefits for the American public, is completely unsupported by our previous experience with soda ash royalty relief, and is nothing more than an $80 million giveaway of taxpayer money.

RAÚL GRIJALVA,
Ranking Member, Committee on Natural Resources.
ALAN LOWENTHAL,
Ranking Member, Subcommittee on Energy and Mineral Resources.
GRACE NAPOLITANO.
NORMA TORRES.

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