Statement of
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Subcommittee on Public Lands, Forests, and Mining
Legislative Hearing on
S. 2031, American Soda Ash Competitiveness Act
October 1, 2015

Introduction

Thank you for the opportunity to testify on S. 2031, the American Soda Ash Competitiveness Act. This bill would reinstate for five years the royalty rate reduction provided for under the Soda Ash Royalty Reduction Act of 2006, which expired in October 2011. The BLM cannot support S. 2031.

Background

One of several products derived from sodium minerals mined on public lands, soda ash is used in many common products, including glass, pulp paper, detergents, and baking soda. Soda ash may either be manufactured synthetically or extracted from mined deposits of the mineral trona, a naturally occurring mixture of sodium carbonate, sodium bicarbonate, and water. Synthetic soda ash production began in this country in the 1880s and increased as the demand for soda ash increased. In the early 1950s, the modern natural soda ash industry began in the Green River Basin of Wyoming, home of the world's largest known natural deposit of trona, where soda ash, or "sodium carbonate," is refined from trona mined at depths of between 800 and 1,600 feet below the surface.

In 2014, the U.S. soda ash industry consisted of five companies that mined and milled soda ash, four of which operated five plants in Wyoming. One company in California produced soda ash from sodium-carbonate rich brines. At the end of FY 2014, there were 78 Federal sodium leases covering 98,967 acres in Wyoming, California, Colorado, Arizona, and New Mexico. Fifty-five of these Federal sodium leases were located in Wyoming. The soda ash industry is a substantial contributor to the gross domestic product of the United States, with the total value of domestic soda ash produced in 2014 being about $1.7 billion and the industry supplying about 2,500 direct jobs. Soda ash is also a key ingredient in many diverse products, including flat glass used by the automobile and construction industries.

Soda Ash Royalty Reduction Act of 2006

In 2006, Congress passed the Soda Ash Royalty Reduction Act (2006 Act), which reduced the Federal royalty rate for soda ash to two percent. Before the 2006 Act went into effect, the BLM was charging royalty rates of six and eight percent. The BLM established these rates based on a 1996 study to examine the fair market value in the sodium industry in Wyoming. The study reviewed many comparable State and private leases and found that fair market value in Wyoming appeared to be somewhat higher than the five percent previously being charged by the BLM. As a result of the study, the BLM determined that the fair market value royalty rate for all then-existing Federal leases in Wyoming would be increased from five to six percent at the lease renewal date. The BLM, based on the study, also determined that the royalty rate on all new leases in Wyoming would be eight percent. In the Green River Basin at that time, the royalty rate was eight percent on most private lands, and five percent on State lands. Those new rates went into effect in 1996 but the 2006 Act subsequently waived the terms of all applicable leases.

In 2011, the two percent royalty rate established under the 2006 Act expired, and the preexisting lease rates went back into effect. In 2013, however, the Helium Stewardship Act (P.L. 113-40) included a provision that set a four percent royalty rate for a two-year period. This provision is scheduled to expire on October 1, 2015.

2011 Report to Congress

As mandated by the 2006 Act, the BLM reported to Congress in the fall of 2011 on the impact of the royalty reduction over the previous five years. The report, "U.S. Department of the Interior Report to Congress: The Soda Ash Royalty Reduction Act of 2006," found that the 2006 Act resulted in a substantial loss of royalty revenues to the Federal government and the States and that revenue loss exceeded congressional estimates at the time of enactment. It also stated that the royalty rate reduction did not appear to have contributed in a significant way to the creation of new jobs within the industry, increased exports, or a notable increase in capital expenditures to enhance production. Furthermore, the report found that the royalty rate reduction appeared to have influenced an approximately two million ton shift of annual production away from State leases and private lands and onto Federal leases, and that, with regard to global competitiveness, U.S. production remained stable.

S. 2031, American Soda Ash Competitiveness Act

S. 2031 would reinstate for five years the two percent royalty rate for soda ash, a further reduction from the current four percent rate set to expire on October 1, 2015. Specifically, the bill would apply an across-the-board reduction in the royalty rate on soda ash leases from the 2006 fair market value average of 5.6 percent to two percent for five years. In FY 2014 (under the 4 percent rate mandated by the Helium Stewardship Act), the soda ash industry paid almost $42 million in royalty for production from Federal lands. If the royalty rate had been reduced to 2 percent during FY 2014, the royalty revenue for that year would have been 50 percent lower – approximately $21 million, a reduction of about $21 million from the current reduced royalty rate and an estimated reduction of about $37.8 million from the 2006 average fair market value rate. In addition to resulting in a loss of revenue to the U.S. Treasury, S. 2031 would waive the requirements of section 102(a)(9) of the Federal Land Policy and Management Act of 1976 (FLPMA), which states that it is the policy of the United States.to receive fair market value for the use of public lands and their resources unless otherwise provided by statute. Furthermore, S. 2031 would waive the terms of any applicable leases. The Department believes it is important to ensure a fair return to the U.S. tax payer. For this reason, and because the royalty rate reductions from 2006 to 2011 did not appear to have contributed in a significant way to the creation of new jobs, increased exports, or a notable increase in capital expenditures to enhance production, the BLM cannot support S. 2031.

Conclusion

Thank you for the opportunity to provide testimony on S. 2031. I would be happy to answer any questions you may have.