CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 20, 2006

H.R. 4301
Blunt Reservoir and Pierre Canal Land Conveyance Act of 2005

As ordered reported by the House Committee on Resources on June 21, 2006

SUMMARY

H.R. 4301 would direct the Secretary of the Interior to transfer title to the lands and facilities that make up the nonpreferential lease parcels and unleased parcels of the Blunt Reservoir and Pierre Canal in South Dakota to the state. During the five years following enactment, H.R. 4301 would allow any preferential leaseholder to purchase the parcel that is the subject of their lease for cash or on an installment basis. After five years, the bill would direct the Secretary to transfer any remaining parcels to South Dakota. H.R. 4301 would authorize the appropriation of $750,000 to implement those provisions. The bill also would authorize the appropriation of payments to South Dakota equal to the amount of any proceeds from sales to leaseholders.

Assuming appropriation of the necessary amounts, CBO estimates that implementing H.R. 4301 would cost about $2 million in 2007. CBO estimates that enacting H.R. 4301 would increase direct spending by about $300,000 in 2007. Enacting the bill would also lead to about $1.1 million in collections from asset sales. Thus, the net impact on direct spending over the 2007-2016 period would be a reduction of $0.8 million.

H.R. 4301 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Accepting the land conveyance authorized in this bill would be voluntary on the part of South Dakota and any costs to the state would be incurred voluntarily.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

Subject to the appropriation of the authorized amounts, CBO estimates that implementing H.R. 4301 would cost about $2 million in 2007. CBO estimates that enacting the bill would increase offsetting receipts by about $1.1 million in 2007 from land sales and would increase direct spending by about $300,000 in 2007 for loan subsidies for the installment purchases of certain land parcels in the affected area. The estimated budgetary impact of H.R. 4301 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				
	2007	2008	2009	2010	2011
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Payments to South Dakota					
Estimated Authorization Level	0	1.9	0	0	0
Estimated Outlays	0	1.9	0	0	0
CHANGES IN DIRECT SPENDING					
Collections from Land Sales					
Estimated Budget Authority	-1.1	0	0	0	0
Estimated Outlays	-1.1	0	0	0	0
Loan Subsidy Cost					
Estimated Budget Authority	0.3	0	0	0	0
Estimated Outlays	0.2	0.1	0	0	0
Total					
Estimated Budget Authority	-0.8	0	0	0	0
Estimated Outlays	-0.9	0.1	0	0	0

BASIS OF ESTIMATE

Spending Subject to Appropriation

H.R. 4301 would direct the Secretary of the Interior to transfer title to the lands and facilities that make up the nonpreferential lease parcels and unleased parcels of the Blunt Reservoir and Pierre Canal to South Dakota. During the five years following enactment, H.R. 4301 would allow any preferential leaseholder to purchase the parcel that is the subject of their lease. After such time has expired, the bill would direct the Secretary to transfer any remaining preferential lease parcels to the state. H.R. 4301 would authorize the appropriation of $750,000 to implement those provisions.

The bill also would authorize the appropriation of federal proceeds to South Dakota from sales to leaseholders. We estimate that by selling parcels to preferential leaseholders, the federal government would collect nearly $1.1 million in 2007. Thus, subsequent appropriations of that amount to South Dakota would cost $1.1 million in 2007.

Direct Spending

To purchase their leased lands under the bill, preferential leaseholders would pay the value of such lands appraised for agricultural purposes only (i.e., not including recreational value). The bill would allow leaseholders to pay 10 percent less than the appraised value if they pay up front in a lump sum. The bill also would allow those leaseholders whose parcels are valued above $10,000 to pay in installments over 30 years with an annual interest rate of 3 percent. Based on information from the Bureau of Reclamation, we expect that over the five-year period, leaseholders would purchase about 14 parcels valued at less than $10,000 each. We estimate that the government would receive about $100,000 in 2007 from such sales.

Because of the favorable loan terms under the bill, we expect that leaseholders with parcels valued above $10,000 would purchase those parcels on an installment basis. Based on information from the Bureau of Reclamation, CBO estimates that the government would collect about $1 million from the sale of those more-valuable leases in 2007.

The Federal Credit Reform Act of 1990 requires that agencies record the subsidy cost of financing arrangements in the year the assets are sold if payment is deferred for more than 90 days. In effect, H.R. 4301 would allow the Secretary to issue direct loans to the leaseholders with parcels valued about $10,000. Based on the experience of similar loan programs within the Department of Agriculture, CBO expects that very few purchasers would default on their payments. Because the purchasers would pay annual interest of 3 percent, an amount below the interest rate paid the by the Treasury, CBO estimates that the loans under H.R. 4301 would have a subsidy cost of about $300,000, or 30 percent of the purchase price. Under credit reform procedures, this cost would be recorded in 2007.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 4301 contains no intergovernmental or private-sector mandates as defined in UMRA. Accepting the land conveyance authorized in this bill would be voluntary on the part of South Dakota and any costs to the state would be incurred voluntarily.

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