



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 22, 2011

### **H.R. 1158** **Montana Mineral Conveyance Act**

*As ordered reported by the House Committee on Natural Resources on July 20, 2011*

#### **SUMMARY**

H.R. 1158 would require the Bureau of Land Management (BLM) to convey 5,000 acres of land containing coal deposits to Great Northern Properties, a private company, if the company conveys certain mineral rights to the Northern Cheyenne Tribe. The land conveyances would not be finalized unless the tribe waived all claims related to the failure of the United States to acquire certain mineral rights underlying reservation land.

Based on information provided by BLM, the tribe, and firms operating in the coal industry, CBO estimates that implementing the legislation would reduce net offsetting receipts (thus increasing direct spending) by \$17 million over the 2012-2021 period; therefore, pay-as-you-go procedures apply. Enacting the bill would not affect revenues and would have no significant impact on discretionary spending.

H.R. 1158 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 1158 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 |      |      |      |      |      |      |      |      |      |           |           |  |
|-----------------------------------|--|------|------|------|------|------|------|------|------|------|-----------|-----------|--|
|                                   | 2012                                   | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2012-2016 | 2012-2021 |  |
| <b>CHANGES IN DIRECT SPENDING</b> |  |      |      |      |      |      |      |      |      |      |           |           |  |
| Forgone Receipts from Bonus Bids  |  |      |      |      |      |      |      |      |      |      |           |           |  |
| Estimated Budget Authority        | 1                                      | 3    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 4         | 4         |  |
| Estimated Outlays                 | 1                                      | 3    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 4         | 4         |  |
| Forgone Receipts from Royalties   |  |      |      |      |      |      |      |      |      |      |           |           |  |
| Estimated Budget Authority        | 0                                      | 0    | 0    | 1    | 2    | 3    | 3    | 4    | 1    | 0    | 3         | 13        |  |
| Estimated Outlays                 | 0                                      | 0    | 0    | 1    | 2    | 3    | 3    | 4    | 1    | 0    | 3         | 13        |  |
| Total Changes                     |  |      |      |      |      |      |      |      |      |      |           |           |  |
| Estimated Budget Authority        | 1                                      | 3    | 0    | 1    | 2    | 3    | 3    | 4    | 1    | 0    | 7         | 17        |  |
| Estimated Outlays                 | 1                                      | 3    | 0    | 1    | 2    | 3    | 3    | 4    | 1    | 0    | 7         | 17        |  |

Note: Components may not sum to totals because of rounding.

## BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted near the end of fiscal year 2011.

H.R. 1158 would authorize BLM to convey eight tracts of federal land totaling 5,000 acres and containing coal deposits to Great Northern Properties. Five of those tracts are located in the Bull Mountains area, and three of those tracts are located in the Bridge Creek area. Based on information from BLM and the coal industry, CBO estimates that conveying those tracts would reduce gross offsetting receipts by \$33 million over the 2012-2021 period because those properties would have otherwise been leased to the highest bidder for coal production. Because the federal government distributes 50 percent of receipts from coal mining activities to the state where those activities occur, we estimate that enacting the bill would reduce net offsetting receipts by \$17 million over the 2012-2021 period.

### Bull Mountains Tracts

In April 2011, BLM issued a decision to lease the five tracts of federal land in the Bull Mountains area that would be conveyed to Great Northern Properties under the bill. Based on information from the agency, CBO expects that, under current law, BLM will conduct the lease sale early in fiscal year 2012 and that the company awarded the tracts will pay the full bonus bid within two years. We also expect that production—from underground mining—and receipts from associated royalty payments will begin within three years of the lease sale based on information from firms operating in the coal industry.

**Forgone Receipts from Bonus Bids.** Based on information from BLM and firms operating in the coal industry, CBO estimates that the Bull Mountains tracts contain about 35 million tons of recoverable coal. Under current law, we estimate that gross bonus bid payments for leasing those tracts will total about \$7 million (between 10 and 30 cents per ton). The bonus bid will probably be paid in two installments, an initial payment of 20 percent of the total amount and a subsequent payment of the remaining 80 percent of that amount. Because half of the total bonus bid receipts will be paid to Montana, the net amount of offsetting receipts deposited in the Treasury from the bonus bid will total roughly \$4 million over the 2012-2013 period under current law.

**Forgone Receipts from Royalties.** Based on information from firms operating in the coal industry, CBO expects that coal production from the Bull Mountains tracts will begin in 2015 and total about 14 million tons over the 2015-2021 period. Estimated annual production and royalty receipts (equal to 8 percent of the annual production) vary from year-to-year because the federal tracts are not contiguous and production will alternate between federal lands and private lands over that period. In total, CBO estimates that gross royalty receipts from coal production within the Bull Mountains tracts will total about \$26 million over the 2015-2021 period under current law. Of that amount, \$13 million will be paid to Montana and \$13 million will be deposited in the Treasury as offsetting receipts.

### **Bridge Creek Tracts**

H.R. 1158 would direct BLM to convey three tracts of federal land in the Bridge Creek area of Montana to Great Northern Properties. Based on information from BLM and firms operating in the coal industry, CBO expects that, under current law, those tracts would not be leased within the next 10 years and would not generate any receipts for the federal government over that period. Thus, we estimate that conveying the Bridge Creek tracts to Great Northern Properties would not affect direct spending over the 2012-2021 period.

### **Waiver of Claims**

The Northern Cheyenne Tribe asserts claims against the federal government because the government did not acquire mineral rights on lands that were added to the reservation in 1900. Under the bill, the tribe would waive those claims. Because the tribe has not filed a lawsuit related to those claims, CBO expects that any litigation related to the claims would not be completed or settled within the next 10 years. Therefore, we estimate that the waiver of those claims would not affect direct spending during the next decade.

### **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. H.R. 1158 would reduce

the amount of offsetting receipts that would be deposited in the Treasury from certain coal leases and related royalty payments; therefore, pay-as-you-go procedures apply. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table.

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**CBO Estimate of Pay-As-You Go Effects for H.R. 1158, the Montana Mineral Conveyance Act, as ordered reported by the House Committee on Natural Resources on July 20, 2011**

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|  | By Fiscal Year, in Millions of Dollars |      |      |      |      |      |      |      |      |      |      |      | 2011- | 2011- |
|--|--|------|------|------|------|------|------|------|------|------|------|------|-------|-------|
|  | 2011                                   | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2016 | 2021  |       |
| <b>NET INCREASE OR DECREASE (-) IN THE DEFICIT</b> |  |      |      |      |      |      |      |      |      |      |      |      |       |       |
| Statutory Pay-As-You-Go Impact                     | 0                                      | 1    | 3    | 0    | 1    | 2    | 3    | 3    | 4    | 1    | 0    | 7    | 17    |       |

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**INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

H.R. 1158 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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