CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 31, 2011

H.R. 1904
Southeast Arizona Land Exchange and Conservation Act of 2011

As ordered reported by the House Committee on Natural Resources on July 13, 2011

H.R. 1904 would authorize a land exchange in Arizona between the federal government and a mining company and direct the Forest Service to sell several parcels of land to Superior, Arizona. Based on information provided by the affected agencies, CBO estimates that discretionary costs to implement the bill would total less than $500,000 annually. Those costs would include preparing management plans to facilitate the exchange and administering new lands received in exchange for federal land. Enacting the bill would have no significant net effect on direct spending and no effect on revenues.

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. CBO estimates that enacting H.R. 1904 would affect direct spending, but the net effects would be negligible for each year.

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

Federal Land Exchange with Resolution Copper LLC

Under H.R. 1904, the Forest Service would convey about 2,400 acres of land in Southeast Arizona to Resolution Copper Mining LLC in exchange for company-owned land of an equivalent value. Of the company land, about 1,200 acres would become part of the National Forest System, while about 4,200 acres would be administered as conservation areas by the Bureau of Land Management (BLM).

If the property sought by Resolution Copper is appraised at more than the value of the property that the company offers for exchange, the company could donate additional land or make a cash payment to the United States to make the final exchange of equal value. If the company's property is appraised for more than the federal acreage, the difference in the value would be considered to be a donation to the federal government. Any cash payment received by the Forest Service would be available to the agency to acquire other lands in the state. In addition, after completion of the exchange, Resolution Copper would have to pay the federal government a portion of any future income earned on the former federal property if the company determines that the actual cumulative production of minerals located on that property exceeds the value of the estimated production used in the original appraisal process.

The bill's effect on annual offsetting receipts and associated direct spending would depend on the outcome of formal appraisals of the federal property that would be conducted after enactment. That appraisal would determine the relative value of the properties affected by the exchange, including the value of mineral deposits that underlie the federal land. If the value of the federal land were to exceed the value of the company land, Resolution Copper could pay the government a lump sum equal to the difference in property values in the year or two following enactment. In addition, if the company extracts more mineral resources than assumed in the original appraisal, Resolution Copper would make annual payments to the federal government, beginning after several years when Resolution Copper begins to develop the new mineral resources. Any such payments might be significant, but would be spent by the Forest Service and BLM without further appropriation to purchase other lands within Arizona and to maintain existing facilities.

Sale of Federal Property to Superior, Arizona

Section 9 of the bill would direct the Forest Service to sell about 550 acres of land to the town of Superior, Arizona. Proceeds from the sale would be available without further appropriation for the purchase of land in the state. CBO estimates that proceeds from the sale of land to Superior, Arizona, would total roughly $1 million and would be spent to acquire other lands. Thus, implementing this section would have no net effect on the federal budget.

The CBO staff contact for this estimate is Jeff LaFave. The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.