



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 11, 2013

H.R. 687

Southeast Arizona Land Exchange and Conservation Act of 2013

As ordered reported by the House Committee on Natural Resources on May 15, 2013

H.R. 687 would authorize a land exchange in Arizona between the federal government and a mining company. Based on information provided by the affected agencies, CBO estimates that implementing the bill would cost less than \$500,000 annually, assuming the availability of appropriated funds. Those costs would include preparing management plans and administering private lands received in exchange for federal land.

Enacting the legislation could increase offsetting receipts, which are treated as reductions in direct spending; however, CBO has insufficient information to estimate whether any receipts would be collected under the bill. Because enacting the bill could affect direct spending, pay-as-you-go procedures apply.

Under H.R. 687, the Forest Service would convey about 2,400 acres of land in southeast Arizona to Resolution Copper Mining LLC in exchange for about 5,400 acres of company-owned land. Of the company land, about 1,200 acres would become part of the National Forest System, and about 4,200 acres would be administered as conservation areas by the Bureau of Land Management.

If the property sought by Resolution Copper is appraised at more than the appraised 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 a donation to the federal government. Any cash payment received by the Forest Service would be deposited in the U.S. Treasury as an offsetting receipt. 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 offsetting receipts would depend on the outcome of formal appraisals of the federal and private properties that would be conducted after enactment. Those appraisals would determine the relative values 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. That payment might be significant; however, because there are no publicly available estimates regarding the quantity of copper underlying the federal land, CBO has no basis for estimating the value of that land relative to the value of the company land. Therefore, we cannot determine whether the company would make a payment or estimate the size of any such payment.

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. Such payments might be significant; however, based on information provided by Resolution Copper, CBO expects that those lands would not be mined within 10 years of the enactment of H.R. 687. Therefore, no payments would be made over the next 10 years.

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.

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