



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

June 6, 2012

S. 1144
Soda Ash Competition Act
As introduced on June 6, 2011

SUMMARY

S. 1144 would require the Department of the Interior (DOI) to charge a 2 percent royalty on the value of soda ash produced on federal lands through 2016. Under current law, CBO expects that the royalty rate would remain at 6 percent over that period. CBO estimates that implementing S. 1144 would reduce net federal offsetting receipts from soda ash royalties by \$75 million over the 2013-2016 period; therefore, pay-as-you-go procedures apply. Enacting S. 1144 would not affect revenues.

S. 1144 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1144 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											2013-	2013-	
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2017	2022		
CHANGES IN DIRECT SPENDING														
Estimated Budget Authority	30	15	15	15	0	0	0	0	0	0	0	75	75	
Estimated Outlays	30	15	15	15	0	0	0	0	0	0	0	75	75	

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted near the end of 2012.

S. 1144 would reduce the royalty rate on the value of soda ash produced on federal lands from 6 percent to 2 percent over the 2013-2016 period. Based on information from the Bureau of Land Management, CBO expects that, under the bill, firms that paid 6 percent in royalties during 2012 would receive refunds in 2013 of any amounts in excess of the 2 percent rate established by the bill. In addition, because CBO expects that royalty rates charged for soda ash production on state and private lands would be higher than 2 percent, we also expect that, under the bill, the amount of soda ash produced on federal lands would be higher over the next four years than it would be under current law. However, CBO estimates that any increase in production would only partially offset the loss of receipts from lowering the royalty rate through 2016.

In 2011, the last time the royalty rate was set at 2 percent, firms produced 8.8 million tons of soda ash on federal lands and paid royalties totaling \$22 million. Based on information from DOI regarding soda ash production and royalty collections through the first half of 2012 (when the royalty rate increased to 6 percent), CBO estimates that firms will produce 7.2 million tons of soda ash on federal lands in 2012 (a decline of roughly 20 percent from 2011) and will pay gross royalties totaling \$44 million (double the amount collected in 2011). Thus, under current law, we estimate that, after payments to states of half the gross proceeds, net receipts to the federal government in 2012 will total \$22 million. If S. 1144 is enacted, we expect that DOI would refund about \$15 million of that amount to firms in 2013. CBO also estimates that implementing the bill would reduce receipts in each year over the 2013-2016 period by a similar amount. In total, CBO estimates that enacting S. 1144 would reduce net offsetting receipts from soda ash royalties by \$75 million over the 2013-2016 period.

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. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for S. 1144 as introduced on June 6, 2011

	By Fiscal Year, in Millions of Dollars												2012- 2017	2012- 2022
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022			
NET INCREASE OR DECREASE (-) IN THE DEFICIT														
Statutory Pay-As-You-Go Impact	0	30	15	15	15	0	0	0	0	0	0	75	75	

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1144 contains no intergovernmental or private-sector mandates as defined in UMRA. The royalty reduction required by the bill would temporarily reduce federal payments to California, Colorado, New Mexico, and Wyoming by a total of \$75 million over the 2013-2016 period.

PREVIOUS CBO COST ESTIMATE

On June 5, 2012, CBO transmitted a cost estimate for H.R. 1192, the Soda Ash Royalty Extension, Job Creation, and Export Enhancement Act of 2012, as ordered reported by the House Committee on National Resources on May 16, 2012. S. 1144 is similar to H.R. 1192, and the CBO cost estimates are the same for those bills.

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