CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

May 2, 2011

H.R. 1231
Reversing President Obama's Offshore Moratorium Act

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

SUMMARY

H.R. 1231 would direct the Department of the Interior (DOI) to auction leases for the development of oil and gas resources in the most geologically productive areas of the Outer Continental Shelf (OCS). For the 2012-2017 leasing period, the bill would require leasing in areas that are projected to contain more than 2.5 billion barrels of oil or 7.5 trillion cubic feet of natural gas. Areas meeting those criteria include the Central, Western, and Eastern Gulf of Mexico; the Beaufort, Chukchi, and North Aleutian areas off Alaska; the North and Mid-Atlantic planning areas; and the Southern California planning area.

Enacting H.R. 1231 would affect direct spending; therefore, pay-as-you-go procedures apply. CBO estimates that enacting this legislation would reduce direct spending (by increasing offsetting receipts) by about $350 million over the 2012-2016 period and by $800 million over the 2012-2021 period. Enacting this legislation would not affect revenues. In addition, CBO estimates that the administrative costs of implementing the bill would total about $22 million over the 2011-2016 period, assuming appropriation of the necessary amounts.

H.R. 1231 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. 1231 is shown in the following table. The costs of this legislation fall within budget function 950 (undistributed offsetting receipts).

	By Fiscal Year, in Millions of Dollars											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
CHANGES IN DIRECT SPENDING												
Estimated Budget Authority	0	0	0	-100	-250	-300	-150	0	0	0	-350	-800
Estimated Outlays	0	0	0	-100	-250	-300	-150	0	0	0	-350	-800
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Estimated Authorization Level	5	5	5	5	5	0	0	0	0	0	25	25
Estimated Outlays	2	5	5	5	5	3	0	0	0	0	22	25

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 1231 will be enacted before the end of fiscal year 2011 and that DOI will conduct the sales of federal leases in the OCS according to the schedule included in the President's budget request for fiscal year 2012. Bonus bids, rental fees, and royalty payments for OCS leases are recorded in the budget as offsetting receipts, which are an offset to direct spending. CBO also assumes the amounts necessary to implement the bill will be appropriated by the beginning of each fiscal year.

Direct Spending

The estimated budgetary impact of H.R. 1231 primarily reflects an assumption that leasing activity in areas in the Atlantic and California OCS would increase. CBO estimates that enacting the bill would have no effect on offsetting receipts from areas already included in the administration's leasing plans, such as the Central and Western Gulf of Mexico and the Beaufort and Chukchi Seas. Similarly, while the geologic criteria in this bill would apply to the Eastern Gulf of Mexico, CBO does not expect any leasing to occur in that area over the 2011-2021 period because of the statutory prohibition on such leasing under the Gulf of Mexico Energy Security Act.

CBO's baseline projections assume that areas off the Atlantic and Pacific coasts will not be opened for leasing until after June 30, 2017. Under existing law, the department cannot auction acreage unless it is included in an approved five-year plan. A final leasing plan for the 2012-2017 period has not yet been adopted. However, the President's budget request for 2012 indicated that the Atlantic and Pacific areas are not included in the current scoping process for that plan. As a result, CBO expects that it is unlikely that leasing will occur over the 2012-2017 period under current policies.

Based on information from DOI on the potential oil and gas resources in the Atlantic and Pacific regions, CBO estimates that holding additional lease sales in those areas would increase net offsetting receipts (and thus reduce direct spending) by about $800 million over the 10-year period. For this estimate, CBO assumes that the department would conduct the consultations and assessments necessary to incorporate the Atlantic and Pacific lease sales into the five-year plan for 2012-2017, which could take at least two years to complete. Given the lead times needed to conduct sales and issue leases, CBO anticipates that proceeds from leasing in those areas probably would be collected after fiscal year 2014.

Spending Subject to Appropriation

Based on historical spending trends for similar activities, CBO estimates that DOI would spend about $22 million over the 2012-2016 period to complete the necessary environmental and other assessments necessary to conduct lease sales in the Atlantic and Pacific regions, assuming appropriation of the necessary amounts.

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 H.R. 1231, the Reversing President Obama's Offshore Moratorium Act, as ordered reported by the House Committee on Natural Resources on April 13, 2011

	By Fiscal Year, in Millions of Dollars												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2011-2016	2011-2021
NET INCREASE OR DECREASE (-) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	0	0	0	-100	-250	-300	-150	0	0	0	-350	-800

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1230 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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