



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 5, 2008

H.R. 4074

San Joaquin River Restoration Settlement Act

*As ordered reported by the House Committee on Natural Resources
on November 15, 2007*

SUMMARY

H.R. 4074 would implement a judicial settlement between the federal government—specifically, the Bureau of Reclamation’s Friant Division of the Central Valley Project (CVP) in California—and a coalition of conservation and fishing groups. The bill would authorize and direct the Secretary of the Interior to design and construct improvements to the San Joaquin River; modify operations of the Friant Dam; acquire water or water rights; and implement terms of the settlement relating to recapture and reuse of water to minimize water supply disruptions to the Friant Dam. The bill also would impose a new conservation of resources fee on certain oil and gas leases on lands on the Outer Continental Shelf (OCS).

CBO estimates that enacting this legislation would decrease net direct spending by \$1.7 billion over the 2009-2018 period. (It also would increase direct spending by \$19 million a year over the 2019-2030 period.) We estimate that implementing H.R. 4074 also would increase discretionary spending \$221 million over the 2009-2018 period, assuming appropriation of the authorized amounts. Additional discretionary spending would occur after 2018 for further construction and operation and maintenance of the project.

H.R. 4074 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). The bill would benefit state, local, and tribal governments, and any costs they incur would result from complying with conditions for receiving federal assistance.

H.R. 4074 contains private-sector mandates as defined in UMRA. The bill would require holders of oil or gas leases of lands on the outer continental shelf to pay a conservation of resources fee. In addition, the bill would impose a mandate if the Secretary of the Interior acquires land from private landowners through eminent domain in order to implement the settlement. CBO estimates that the aggregate cost of the mandates would exceed the annual threshold established in UMRA for private-sector mandates (\$136 million in 2008, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4074 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and environment) and 950 (undistributed offsetting receipts).

	By Fiscal Year, in Millions of Dollars										2009-	2009-
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013	2018
CHANGES IN DIRECT SPENDING												
Early Repayment of Capital Debt												
Estimated Budget Authority	0	0	-44	-44	-44	-44	11	11	11	11	-132	-132
Estimated Outlays	0	0	-44	-44	-44	-44	11	11	11	11	-132	-132
Authority to Spend Certain Collections												
Estimated Budget Authority	19	19	63	63	63	63	8	8	8	8	227	322
Estimated Outlays	15	15	50	58	59	58	33	18	8	8	197	322
Conservation of Resources Fees												
Estimated Budget Authority	-92	-114	-121	-257	-283	-294	-178	-177	-182	-192	-867	-1,890
Estimated Outlays	-92	-114	-121	-257	-283	-294	-178	-177	-182	-192	-867	-1,890
Total Changes in Spending Under H.R. 4074												
Estimated Budget Authority	-73	-95	-102	-238	-264	-275	-159	-158	-163	-173	-772	-1,700
Estimated Outlays	-77	-99	-115	-243	-268	-280	-134	-148	-163	-173	-802	-1,700
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Estimated Authorization Level	3	2	2	62	32	52	32	42	7	7	101	241
Estimated Outlays	2	3	2	52	27	52	27	42	7	7	86	221

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 4074 will be enacted at the end of fiscal year 2008 and that the authorized amounts will be appropriated for each fiscal year.

Direct Spending

H.R. 4074 would allow the capital debt incurred for the original construction of the Friant Dam to be repaid early and would authorize the expenditure of certain federal collections that, under current law, cannot be spent without an appropriation. The bill also would impose a conservation of resources fee on certain oil and gas leases on OCS lands in the Gulf of Mexico.

CBO estimates that enacting those changes would increase direct spending by \$190 million over the 2008-2018 period and increase offsetting receipts (from new OCS fees) by about \$1.9 billion over the same period. The net effect of those changes would be a decrease in direct spending of \$1.7 billion.

Early Repayment of Capital Debt. Section 110 of the bill would require the Secretary to convert certain existing contracts of the Central Valley Project from water service to repayment contracts. Under the new agreements, the contractors of CVP's Friant Division would be required to repay their share of the capital investment in the project, either in a lump sum or on an accelerated schedule.

CBO expects that enacting section 110 would cause CVP contractors to make four equal payments totaling \$220 million over the 2011-2014 period, rather than paying \$11 million annually through 2030 as they would under current law. The net effect of the expedited repayment schedule would be an increase in collections of \$132 million over the 2011-2018 period and a loss of \$11 million per year from 2019 to 2030. In addition, section 110 stipulates that the Secretary would be required to reduce a surcharge for environmental restoration paid by Friant contractors as a result of early repayment of the capital costs. CBO estimates that, beginning in 2019, the surcharge would be eliminated, causing a loss of offsetting receipts of \$8 million per year through the life of the project.

Changes in Spending Authority. H.R. 4074 would make available to the Bureau of Reclamation certain federal collections that are not currently available unless appropriated. CBO estimates that making those collections available without further appropriation would increase direct spending by \$322 million over the 2009-2018 period.

Under section 109, payments made by Friant contractors would be deposited into a new San Joaquin River Restoration Fund and would be available without further appropriation. The collections to be deposited into the new fund would include amounts paid for the capital cost of the Friant Dam (an estimated \$11 million a year through 2010) and amounts collected from the Friant surcharge described above (about \$8 million annually). Those collections are currently deposited in the Reclamation Fund and the Central Valley Project Restoration

Fund, respectively. The new fund also would receive the \$220 million to be paid under the new repayment contracts required by section 110. Deposits into the fund would be available, without further appropriation, to implement the settlement.

Conservation of Resources Fee. Section 112 would impose a new conservation of resources fee on all nonproducing leases for OCS lands in the Gulf of Mexico and would classify those payments as offsetting receipts (a reduction in direct spending). A fee of \$3.75 per acre (in 2005 dollars) would apply to nonproducing leases in effect on October 1, 2006, and beyond. Under CBO's baseline projection of the acreage under such leases, enacting this provision would increase offsetting receipts by \$1.9 billion over the 2009-2018 period.

Spending Subject to Appropriation

H.R. 4074 would authorize the appropriation of up to \$250 million to help pay for improvements to the Central Valley watershed, contingent upon the receipt of matching funds from the state of California. By implementing the settlement agreement, the bill also would authorize the appropriation of up to \$2 million per year from the Central Valley Project Restoration Fund to implement the settlement. Finally, the bill would require the Secretary to provide assistance to California State University, Fresno, to develop an Integrated Regional Water Management Plan. Assuming that California would match federal funding and that appropriation of the authorized amounts would be made as needed, CBO estimates that implementing those provisions of H.R. 4074 would cost \$221 million over the 2009-2018 period and about \$75 million after 2018.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 4074 contains no intergovernmental mandates as defined in UMRA. Water restoration and management activities authorized in the bill would benefit state, local, and tribal governments that implement activities to restore wildlife and water flow of the San Joaquin River in the state of California. Any costs that the state might incur, including matching funds, would result from complying with conditions of federal assistance.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 4074 contains private-sector mandates as defined in UMRA. CBO estimates that the aggregate cost of those mandates would exceed the annual threshold established in UMRA (\$136 million in 2008, adjusted annually for inflation).

The bill would impose a private-sector mandate on holders of oil or gas leases in the Gulf of Mexico by establishing a conservation of resources fee on leased acreage that is not producing. That fee would be set at \$3.75 per acre per year (2005 dollars) and would apply retroactively to October 1, 2006. Because any new leases with the fee would be entered into voluntarily, the fee would only constitute a mandate for holders of existing oil or gas leases. CBO estimates that those leaseholders would pay annual fees that total about \$700 million over the first five years the mandate is in effect. CBO expects that the fees would exceed the threshold in at least two of those years.

H.R. 4074 also would impose a private-sector mandate if the Secretary of the Interior acquires land from private landowners through eminent domain in order to implement the settlement. The cost of the mandate would be the fair market value of the property and any expenses incurred by private landowners in transferring that property to the federal government. (The Department of the Interior would have to compensate landowners for the fair market value of the land and the original land owners would have the right of first refusal to repurchase such land if the Secretary determines that it is no longer necessary for implementation of the settlement.) CBO estimates that because the use of eminent domain would be rare, the cost of this mandate would be small.

PREVIOUS ESTIMATE

On April 18, 2007, CBO transmitted a cost estimate for H.R. 24, the San Joaquin River Restoration Settlement Act, as introduced in the House of Representatives on January 4, 2007. The two versions of the San Joaquin River Restoration Settlement Act are similar but provide different funding mechanisms. The cost estimates reflect those differences.

ESTIMATE PREPARED BY:

Federal Costs: Tyler Kruzich (Water resources) and Kathleen Gramp (OCS)
Impact on State, Local, and Tribal Governments: Lisa Ramirez-Branum
Impact on the Private Sector: Amy Petz

ESTIMATE APPROVED BY:

Theresa Gullo
Deputy Assistant Director for Budget Analysis