CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 1, 1997

H.R. 2493
Forage Improvement Act of 1997

As ordered reported by the House Committee on Agriculture on September 24, 1997

SUMMARY

H.R. 2493 would modify how the Bureau of Land Management (BLM), within the Department of the Interior, and the Forest Service, within the Department of Agriculture, administer livestock grazing on public lands.

H.R. 2493 would change the formula for computing grazing fees. The bill also would redefine "animal unit month" (AUM) by increasing the number of sheep and goats allowed per AUM from five to seven. These changes would apply to grazing on federal land administered by BLM and the Forest Service (excluding the National Grasslands). CBO expects that these changes would increase the government's net income from grazing fees by about $6 million over the 1998-2002 period. Because H.R. 2493 would affect direct spending, pay-as-you-go procedures would apply to the bill.

This legislation also would make several other changes to the management of grazing on public lands that would increase discretionary spending by an estimated $15 million over the next five years, subject to appropriation of the necessary amounts.

H.R. 2493 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act of 1995 (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

CBO estimates that enacting H.R. 2493 would increase gross income from grazing fees by about $10 million over the 1998-2002 period. Because a portion of that income is shared with state governments, CBO estimates that enacting the bill would result in a net decrease in direct spending of about $6 million over the 1998-2002 period. In addition, discretionary spending totaling about $15 million over the next five years would result from this bill, assuming appropriation of the estimated amounts.

The estimated budgetary impact of H.R. 2493 is shown in the following table.

	By Fiscal Year, in Millions of Dollars				
	1998	1999	2000	2001	2002
CHANGES IN DIRECT SPENDING (including offsetting receipts)					
Change in Offsetting Receipts					
Estimated Budget Authority	-2	-2	-2	-2	-2
Estimated Outlays	-2	-2	-2	-2	-2
Change in Direct Spending					
Estimated Budget Authority	0	a	a	a	a
Estimated Outlays	0	a	a	a	a
Net Change					
Estimated Budget Authority	-2	-1	-1	-1	-1
Estimated Outlays	-2	-1	-1	-1	-1
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Estimated Authorization Level	7	2	2	2	2
Estimated Outlays	7	2	2	2	2

a. Less than $500,000.

The costs of this legislation fall within budget functions 300 (natural resources and the environment) and 800 (general government).

BASIS OF ESTIMATE

The bill states that its provisions would become effective on the date of enactment. For purposes of this estimate, CBO assumes that the bill would be enacted in time to implement the new fee for the 1998 grazing year, which begins March 1, 1998.

Offsetting Receipts

CBO estimates that the new formula would increase the amount of grazing fee receipts that would be collected over the next five years compared to current law. The increase in the amount charged per AUM (in the West) and per head month (in the East) would be partially offset by the bill's revised definition of AUM. Overall, CBO estimates that offsetting receipts would increase by almost $2 million annually beginning in fiscal year 1998 and by a total of about $10 million over the 1998-2002 period.

Grazing Fees. Section 107 would base the new grazing fee on two factors: the value of beef cattle and the interest rate. Specifically, the bill would set the basic grazing fee for each animal unit month at the average of the total gross value of production for beef cattle (as compiled by the Economic Research Service (ERS) of the Department of Agriculture) for the 12 years preceding the grazing fee year, multiplied by the average of the "new issue" rate for six-month Treasury bills for the 12 years preceding the grazing fee year, and divided by 12.

H.R. 2493 does not define total gross value of production but refers to data published annually by ERS in Economic Indicators of the Farm Sector: Costs of Production. The total gross value of production, as defined by ERS, is equal to the price of cattle multiplied by the quantity produced (number of pounds). Therefore, the new formula would yield a grazing fee that increases or decreases over time, depending largely on changes in the price of cattle. In contrast, the current fee varies in response not only to changes in the price of cattle, but also to changes in the private lease rate for grazing land and the cost to produce beef. In addition, the current fee formula sets a minimum of $1.35 per AUM and limits the annual change in the fee to 25 percent. Both formulas are likely to result in varying fees from year to year.

The fee for the 1996 grazing fee year was $1.35 per AUM on most public rangelands, and the fee for the 1997 grazing fee year is $1.35 per AUM. Using ERS's most recent data for the total gross value of production and projecting changes in cattle prices and interest rates, CBO estimates that the proposed new formula would result in a grazing fee averaging about 20 cents more per AUM over the 1998-2002 period in the western states than the grazing fee under current law.

Under current law, CBO projects grazing fee receipts of $22 million a year over the next five years. We estimate that implementing the formula contained in H.R. 2493 would yield an average increase in offsetting receipts of more than $2 million annually beginning in fiscal year 1998, excluding a small reduction in offsetting receipts attributable to the bill's change in the definition of animal unit month, as described below.

By applying the bill to land managed under the Granger-Thye Act, section 101 of H.R. 2493 appears to apply the proposed new fee to grazing in all national forests—including those in the eastern states. The Secretary of Agriculture currently has the authority to establish grazing fees on national forests in the eastern states at his discretion. Fees in the East range from $2.24 to $9.00 per head month and average $2.50 per head month. (The number of head months, similar to animal unit months, is a measure of how many animals forage and how long they forage on National Forest System lands.) CBO estimates that applying the new fee formula to national forests in the East would reduce receipts relative to current law, but we estimate that change would total less than $100,000 per year. Grazing in the East represents only about 1 percent of the total grazing administered by the Forest Service.

Animal Unit Month Redefined. Section 107 would revise the definition of animal unit month (AUM) by increasing the number of sheep and goats per AUM from five to seven. That change would effectively decrease the cost of grazing sheep and goats by almost one-third. The fee per AUM would be established under the bill regardless of the type of livestock grazed, and the forage area needed to sustain a fixed number of sheep and goats would be unchanged by the definition, but owners of sheep and goats could purchase fewer AUMs to support the same number of animals under the new definition. Some producers might slightly increase the size of their sheep and goat herds in response to lower effective costs for grazing on public land. Because the grazing fees are only a fraction of the total cost to raise sheep and goats, however, we expect a net drop in the number of AUMs and an associated decrease in offsetting receipts of about $600,000 per year beginning in 1998.

Other Direct Spending

Current law (7 U.S.C. 1012, 16 U.S.C. 500, and 43 U.S.C. 315) requires the Forest Service and BLM to distribute a portion of the offsetting receipts from grazing on public lands to the states. Payments are made in the fiscal year following the year that grazing fees are received by the federal government, and are currently projected to total $4.5 million a year. CBO estimates that enacting H.R. 2493 would increase payments to states by about $400,000 a year beginning in fiscal year 1999 and by a total of almost $2 million over the 1998-2002 period.

Spending Subject to Appropriation

CBO estimates that additional discretionary spending would be about $7 million in fiscal year 1998 and a total of about $15 million during the 1998-2002 period, assuming appropriation of the estimated amounts. Specific provisions are discussed below.

New Rulemaking. Section 202 would direct the Secretaries of Agriculture and the Interior to coordinate the promulgation of new regulations to carry out H.R. 2493 and to publish such regulations simultaneously within 180 days after enactment of the bill. Based on information from BLM and the Forest Service, CBO estimates that completing this new rulemaking and modifying existing grazing permits would cost about $6 million in fiscal year 1998.

Range Improvements. The Federal Land Policy and Management Act of 1976 authorizes appropriations for range improvement of 50 percent of the income from grazing fees received during the prior fiscal year. If H.R. 2493 were enacted and the Congress appropriated 50 percent of grazing fee receipts for range improvements, then appropriations for range improvements would increase by about $4 million over the 1998-2002 period.

Advisory Councils. Section 108 would require the Secretaries of Agriculture and the Interior to establish joint Resource Advisory Councils (RACs) on a state, regional, or local level. The section also would allow members to receive reimbursement for travel and per diem expenses while on official business. According to BLM, that agency currently operates 24 multiple-use resource advisory councils but does not operate any grazing advisory councils. Based on information from BLM and the Forest Service, enacting H.R. 2493 could double the number of RACs required nationwide, which would increase discretionary spending for travel, per diem and other administrative costs by a total of about $1 million per year, assuming appropriation of the necessary amounts.

Other Potential Changes in Discretionary Spending. Section 107 would require the Economic Research Service to continue to compile and report the total gross production value for beef cattle for the purpose of calculating the grazing fee. ERS has conducted a survey on which to base total gross value of production about every five years and has indexed the data based on changes in cattle prices for annual updates. If section 107 is interpreted to mean that ERS must conduct annual surveys, CBO estimates that each year's survey costs could be as high as $500,000. However, because it is unclear whether surveys would have to be conducted more often, we have not included any additional discretionary spending for such surveys in this estimate.

PAY-AS-YOU-GO CONSIDERATIONS

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. As shown in the following table, CBO estimates that enacting H.R. 2493 would decrease direct spending by about $2 million in fiscal year 1998 and by about $11 million over the 1998-2007 period.

For the purposes of enforcing pay-as-you-go procedures, however, only the effects in the budget year and the subsequent four years are counted.

	By Fiscal Year, in Millions of Dollars									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Change in outlays	-2	-1	-1	-1	-1	-1	-1	-1	-1	-1
Change in receipts	Not applicable									

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 2493 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. The bill would increase payments to states by about $0.4 million per year beginning in fiscal year 1999, because they receive a portion of receipts from grazing on public lands. For the 1998-2002 period, payments to states would increase by a total of almost $2 million compared to payments under current law.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

The bill would impose no new private-sector mandates as defined in UMRA.

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